Chapter IX
Summary, Conclusions & Suggestions

Summary

Chapter I

Banking is an essentially meant for servicing trade, commerce and industry. The banks are more often than not occupied in the two major types of services, viz. (i) mobilization of deposits from the particular local vicinities and ancillary services to depositors (ii) lending of funds to a wide array of business, industrial, economic and personal activities of entrepreneurs like traders, merchants, and industrialists to secure maximum come back on their advances. (iii) As a catalyst, pass on the finances of the Govt. or support agencies to a wide array of business, industrial, economic and personal activities of entrepreneurs.

The most common complaint in different parts of the country is that about the lack of finance affecting the entrepreneurship development. Very often, however, by this is meant the lack of equity capital as well as credit since no distinction is made between the two although capital must be owned by entrepreneur while credit is borrowed in the shape of long-term and short-term loans, the former to finance fixed assets and the latter to defray current expenses on stock, wages and the like. In India, the craftsman or the small industrialist may start business with some saved capital of his own. Gradually an entrepreneurial skill, energy and business ability add to capital out of the profits. Depending on his aptitude and creditworthiness, IBE borrows from the friends and relatives and may even enjoy trade-credit on materials and goods from suppliers and distributors if he is honest and reliable enough. In the process, since beginning of his business enterprise he needs help from the bank. Banks are now ahead even financing initial capital to entrepreneurs from its own funds or funds of the Govt. (DIC) or the Development Corporation.

(i)

Environment Factors in IBE development

The use and impact of the bank finances including finances from the support agencies influence by the socio-economic and political environment. This environment consists of the external and internal forces that affect the IBEs’ ability to develop and maintain successful transactions and relationships with its target customers. The micro environment consists of the actors in the IBE’s immediate achievement that affects its ability to serve its markets: Suppliers, intermediaries, customers, competitors and publics. The macro environment consists of legal, social, economic and technological forces. There are many socio-economic factors, which directly or indirectly affect the Bank finances to SMEs in particular, and all the Industrial units in general. Their actions and reactions generate impact on the economy and also on the society. The following are the salient ingredients of Macro environment illuminating their influence over IBEs business, either directly or indirectly.

- Trade Cycle: An obstacle to smooth functioning:
- Effects of Taxation:
- Deficit Financing:
- Principal Weaknesses of SMEs:
- Financial Infrastructure for Small Industry Development:
Chapter II

Peter Druker defines entrepreneurs one as one who always searches for change, responds to it and exploits it as an opportunity. He practices systematic innovation, which consists of purposeful and organized search for changes and in the systematic analysis of the opportunities, for take advantage of them. “An entrepreneur is a person who combines various factors of production, processes the raw material, converts the raw material into a finished product and creates utility in the product and sells the product in the market in order to earn profit”.

This chapter begins with map out on significant aspects of finances that are directly or indirectly tied with the business finance of IBEs (Industrial and Business Entrepreneurs). Truly, the finance is an essence of the entrepreneurial venture though he/she acts outside the pale of routine Thus; we find entrepreneurship consists of practices and skills of a person constantly trying for growth and excellence. This is being done by innovating of ideas, object, product or service and put them to social use with the resources available through funds. The second portion of the chapter focuses the Conceptual perception by the industrial or Business entrepreneurs on Product, Price, Cost, Creativity, flexibility, Complexity and Growth in context, of course with the resources requiring finance. The last portion of the chapter deals with the Rural Entrepreneurship, Entrepreneurship in Global Perspective, Entrepreneurial Motivation, Entrepreneurial Ambitions, Compelling Reasons, Facilitating Factors, Creativity, flexibility etc.

Entrepreneurship and Finance

Entrepreneurship is “the process of looking at things in such a way those possible solutions to problems and perceived needs may evolve in venturing having financial constraints.” Willingness to take the risks involved in starting and managing a business with available finance. The managerial function pedestal on risk with finances provokes land, labor, and capital in a cost-effective way and uncovers new opportunities to earn profit. In other wards it includes willingness to spend and to shoulder the risks associated with a business venture. In Beed district even today, certain communities are economically backward. It does not mean that they do not posses entrepreneurial traits. But socio-economic surveys of the district have proved that their entrepreneurial skills are dormant. If the proper conducive financial help and congenial atmosphere is provided, even this district and communities would respond favorably. Motivational input i.e. finances from the banks and the infrastructure of the support system occupy a significant position in equipping “the first generation entrepreneurs”. In this context, various “target groups” are identified for concentrating the efforts of entrepreneurial development. One such important target group is “Middle Class or Lower Class”. To bring them into the mainstream of entrepreneurship, the government formulates special schemes and policies. Liberalization, globalization and open economy concepts have posed a challenge for the IBEs. Even though, industrial climate has turned to be fiercely competitive, the strength of being small is wonderful. The advocacy in favour of the small-scale sector Entrepreneurship which is still strong and valid is based on the following justification which directly/indirectly relates to finance:

i. Promotion of economic well-being of masses
ii. Decentralization of economic power
iii. Diffusion of industrial growth
iv. Removal of regional disparities
v. Creation of large-scale employment
vi. Quick production
vii. Capital saving
viii. Import substitution and export promotion
ix. Saving foreign exchange
x. Promoting the sense of participation in the economic development efforts and
xi. Finances from the Bank

Industrial and Business Entrepreneurship is perceptible from the above mentioned (i to xi) dimensions which are intermingled in each other and also tied with many fundamental rudiments or concepts like Scale of production, price, product, cost, creativity, flexibility, profit motive, Growth etc. This chapter elucidates the various concepts on which the entrepreneurship is based and how these essentials concepts are intermixed and are manipulated by the entrepreneurs for his ultimate goals

a) Production Concept

Once things have come to that point, only specialists can manage the situation; as we said before, things are not becoming easier. Nevertheless, the conclusion remains true that the concept 'production' can no longer be number one in entrepreneurial thinking, even tough the finance or resources are amply available.

b) Price concept

The concept 'production' was expanded in the industrialized nations during the 1950s and 1960s by the subject 'prices'. Development of prices at higher sales became significant and the central point for successful entrepreneurship.

c) Product/Product Life concept

Product/Product Life concept was Predominant during the years 1945-90. A new businessman starts his venture with assimilation of thoughtful significance given to the product: its cost, profitability (Return), and it's launching; the same has a concern to the various laws of the returns. It only means that price policy can no longer be taken as the basic concept. The law of diminishing rate of returns is again true: price policy has become more complicated, but this does not at all make it redundant, as everywhere in the field of entrepreneurial thinking, we can say: when one concept comes to an end or becomes insignificant the next one is needed or required to be considered significantly..

d) Cost Structure concept

The next concept and subject, 'optimizing/rationalizing the cost structures within the enterprise', had to be put into practice by the individual IBE or entrepreneur. The IBE who immediately adopted this new way of thinking are still fairly well off in relation to the rest, but there are considerable differences to be noted. The entrepreneur from the start of business has to accord the significance to cost since it should be minimum than price. This concept is given higher side significance by an entrepreneur for “price” and while increasing or decreasing the scale of “production”. The question is: what does the concept as the basis for the future look like if ‘rationalizing’ is no longer enough? Truly speaking, irrespective of the time frame work, for all the time the entrepreneur has to consider cost, Price and production by giving the highest significance to cost, then price and then to the scale of production

Creativity and flexibility

Creativity involves the merging or synthesis of differing concepts into a new concept that did not previously exist. Because creativity reflects the process of integrating diversity into new realities, many researchers have been interested in the skills necessary to be creative in one's work. Personality characteristics associated with people who are creative in nature include: openness to experience; being able to see things in unusual ways; curiosity; the ability to accept and reconcile apparent opposites; having a high tolerance for ambiguity; possessing an independence in thought and action; needing and assuming autonomy or self-reliance; a healthy level of nonconformity; a risk-taking
orientation; persistence; sensitivity to problems; the ability to generate large numbers of ideas; flexibility; openness to unconscious phenomena; freedom from fear of failure; the ability to concentrate; and imagination. All of these skills reflect the complexity of trying to measure and predict the creative process. It is a multidimensional and often complex phenomenon that does not easily lend itself to social scientific investigation.

The complexity of systems

We live in systems. Systems are complex. The forgoing concepts considered separately are the part of the numerous system e.g. soil, climate, political systems, economic systems, enterprises and above all, markets. There are number of environmental factors like political system, economic condition, Cultural traits, etc. However, eminent economists Williams, Geoff, and Richard Florida claim that the Complexity of systems and Cost-trap factors are most dominantly influence the pedestal of entrepreneurship development.

Entrepreneurship in Global Perspective

Entrepreneurs create organizations and develop them for providing goods and services and employment to people. Government works out its policies relating to coordination and utilization of resources. In developing countries governments aim at developing industries to attain higher and faster rate of economic development. But when the Government started facing problems relating to competent persons to take initiative and develop new industries, the Govt, realized need of promoting entrepreneur development. So Govt, started taking help of educational institutions to promote development of entrepreneurs. Entrepreneur development has taken the following route. Awareness programs - Training - Elective Courses- Graduate and post graduate courses - Doctoral Programs - Programs for school students. Thus forward and backward integration are taking place.

The factors, besides finance that contribute to entrepreneurship development are— Creative Motivation, Support, Education, Skill Development, Research, Need For Achievement Through Self-Study, Goal Setting, Interpersonal Support, Keen Interest In Situations Involving Moderate Risks, Desire For Taking Personal Responsibility, Concrete Measures of Task Performance, Anticipation Of Future Possibilities, Novel Instrumental Activity, Possession of Skills Like Technical, Organizational Etc.

Chapter III

One of the objectives of a Bank is to promote an entrepreneurship by financing the micro or small enterprise of IBEs. Ideally they are to mobilize savings from the middle and lower income groups and provide unlike money lenders nuisance less credit to the small borrowers and weaker sections of the society. But from an analysis of the lending pattern of the Banks of the last few years, it is seen that such ideals have not been yet fully met. The flow of Bank credit cannot go without elements of risk. A true Banker should adopt sound practice of lending as a part of its Banking business. The Bank has to identify risks and take adequate and timely measures to minimize these risks. For various reasons or factors viz., under financing or over financing, failure to judge the character and the sincerity of the entrepreneur to implement the project, non-assessment of the repaying capacity of the borrower, market factors, lack of post credit supervision etc., the recovery of loan may be affected. And when a Bank fails to recover the loans within stipulated time the respective loan account will come under NPA. A proper and scientific system for recognition of income and classification of asset under 4 heads as prescribed
by RBI (viz. standard, sub-standard, doubtful and loss asset) on a prudential basis is to be devised by a Bank. Poor recovery of loan or rather poor recovery efficiency of a Bank may lead it to a position of high NPA and invitation to failures of entrepreneurship on the lot of defaulters IBEs. This will result a problem of liquidity, reduction in earnings with erosion of the share, reserve and ultimately the deposits of the Bank.

In view of the serious problems of accumulation of NPAs which are eating into the margins of Banks. It is felt that some relief has to be provided to dooming sick units to ensure that some of the Banks do not have to close their operation in entrepreneurial growth due to persistently high NPAs.

The Bank disburses the ST/MT loans mostly for the development of non-farm activities. The ST loans are for production credit (business loans) for trade- and commerce , Industry and consumption and working capital for non business purpose, whereas the term loans are for the investment in infrastructural development, housing and block capital ( Fixed Capital ) for non – agricultural. It is advisable to increase the high yield prone advances in the non-agricultural sector, since the refinancing is amply available. The Long term loans and advances made by the Banks are being increasingly related to a scientific appraisal of the economic, technical and managerial viability of the project like small scale industrial ventures, shops, trading business etc. The agricultural business like Plantation, Wine Yards, Seed Plots, Green Houses, Sprinkling, Pre-Cooling, Gobar Gas, Sheep Raring, etc. are too brought in to the purview of Banks. These advances are secured by movable or immovable real assets, life insurance policies etc. In order to meet the need of different segment of the borrowers, the Banks have developed number of the loan schemes for IBEs as given ahead :-

i. Consumption Loan
ii. Mortgage Loan
iii. Loans to employed women
iv. Business House Loans
v. Smart Loans
vi. Vehicle Loan Scheme
vii. Cash Rental
viii. Advances against landed properties:
ix. Advances against Goods:
x. Advances against immovable Properties:-
xi. Some Typical Financial Products
  • Retail Loan Products:
  • Commercial Loans:
  • Leasing & Hire Purchase
  • Credit Cards:
  • Take out financing:
  • Revolving Credit Facilities:
  • Ever greening of Loan:
  • Syndicated Loan:
  • Consortium finance
  • Guarantee Services / Non Fund based business:

Profitability (?) in advancing

If the bank has to sustain its effort to assist the budding entrepreneurs it has to exert to earn profit against investment. The following are the factors which influence profitability of bank in advancing and its loaning potentialities:-

(i) Interest incomes i.e. yield on funds, which, in turn, are influenced by efficiency of credit management – credit – mix, price – mix.
(ii) Interest expenses i.e. cost of funds, which, in turn, is influenced by the nature of deposit mix, borrowing – mix.

(iii) Credit – deposit ratio, which, in turn, is influenced by purveying more credit to extract more income.

(iv) Man-power expenses, which, in turn, is influenced by the efficiency, productivity of staff.

(v) Other operating cost, which, in turn, is influenced by mechanization / computerization as also the efficiency of general bank management.

(vi) Ancillary income, which, in turn, is influenced by the efficiency of customer services.

(vii) Control of non-performing assets and bad debts, which in turn, is influenced by the efficiency of recovery rate.

(viii) Extent of seepage of income, which, in turn, is influenced by non-application of correct interest rates and / or wrong provisions of interest payment liability on deposits and borrowings.

(ix) Availment of refinance facilities from all eligible sources, which will, in turn, increase volume of lending business thereby increasing income and profit.

(x) Extent of non-fund based business, which, in turn, is influenced by the efficiency of the financial manager of the enterprise.

(xi) In spite of all above factors the profitability of Bank may also be determined by the following additional factors:

  ▪ Efficient use of resources.
  ▪ Subsidies given by the Govt. for loaning to weaker section or to IBEs
  ▪ Changing policies of R.B.I. and GOI regarding C.R.R., S.L.R., rate of interest, lending rates, investment etc.
  ▪ Managerial efficiency.
  ▪ Effective management of assets, liabilities and cost control.
  ▪ Management of risks.
  ▪ Challenges of change in business environment and factors like limitation of income increase in expenditure, competition in mobilizing deposits, recession in industries.
  ▪ Staff problems – such as shortage of trained manpower, dearth of efficient and skilled officials, lack of initiative, trade unions etc.
  ▪ Challenges of Investment Management due to development of debt market.

**Banker’s Logic while lending/advancing to IBEs**

Like any seller for commodities, the Bank is a seller selling its commodity in the form of funds and ancillary services. This selling is called as lending or advancing. Banks, whether it is commercial Bank or cooperative Bank shall have to give consideration to the following while financing.

  ▪ Financial position at the time when loan proposal is made
  ▪ The overall credit policy from the point of view of quantum of credit for a region, trade or industry or agriculture
  ▪ Maximization of profitability
  ▪ Security Aspects

While handling funds, bank follows a very watchful policy and conducts its business on the basis of the well-known principles of sound lending confining to the following “Ten Commandments for good lending Business “These Ten Commandments are Safety, 5 Cs of the borrower (i.e. Character, Capacity, Capital, Collateral, Condition), Purpose, Security, Liquidity Diversification’ Expediency, Social necessity,
9.7

Profitability, Suitability and Viability as suggested by the experts. The same has to monitor by the bank while financing the IBEs.

General Observations about Banks’ Advances:

The Banks from the Beed district have been confronting the numerous problems due to overdue and the same have been long-lasting years together. This shows the failure of Bank in economic use of funds. The following aspects are vividly noticed in most of the Banks in the respect of loans and advances:-

- Procedure for review of advances for determining, identifying and categorizing Bad and Doubtful Debts is not timely. The BoDs are informed over this after much delay. There is a need to inform promptly on such matters.
- Bank should have adequate system of identifying and separately categorizing advances which are sick before they are considered / classified as doubtful.
- Individual cases of advances, if bear concern to the Board of directors or employees in the Bank should be detected and brought into notice. To-day this is avoided.
- The attention of management is drawn to large accounts where some adverse features have been observed or which require review. Such reporting is, however, vague and inadequately supported by details. After reporting, the efforts are being made to suspend the cases if any board member has with any inclination to this direction.
- The interest on over dues has not been brought into notice.
- The provisions for doubtful advances are inadequate and which lead to inflate the profit. The following types of cases are noted -
- Few borrowers got the facilities to borrow beyond authorized limits, and such cases are not promptly reported to concern.
- Frequent over drawing by some co-operatives and individual borrowers are reported and the same are left unattended by the Board.
- Credit facilities in some cases have been accorded without proper documentation.
- The procedure for write off of bad debts is defective. Some Board members reap advantages from it.
- Particulars about the provisions for doubtful debts are not provided. The same may be provided in the annual reports.
- obstacles flexibility in sanctioning loans to needy borrowers.
- The financial power of various managers regarding sanction of loans and advances are specifically laid down and these powers have not been allowed to exceed.
- The procedure for the appraisal of application of loans and advances is not properly defined and the credit worthiness of the borrowers is determined by a cumbersome mode.
- The margins against securities are determined by keeping in view the directives of the Reserve Bank of India. This is too technical to give favour to person
- Proper documents are not executed before loans and advances are made. The procedure in obtaining the document is time consuming.
- The securities are kept in the joint custody of two officers of the Bank as a formality and no use of the same is made to recover overdues.
- The arrangements regarding pledge assets or goods in godown provide without proper custody, periodic inspection, maintenance of Record, periodic appraisal of obsolete stock etc.
The goods under hypothecation are improperly checked by the staff of the Bank not on a surprise basis, though there is a system established of scrutinizing periodical reports relating to the hypothecated goods.

The market values of all secured goods never reviewed.

In order to make the Loan scheme more attractive to the people in the present competitive Banking scenario, the same has been thoroughly revised by introducing liberal approach in eligibility, quantum of loan, interest and repayment etc. In order to encourage participation of women in procuring loan, the revised scheme provided higher quantum and longer repayment period on joining of wife as co-borrower in the loan.

### Bankers’ Approach towards loans and NPAs

Traditionally, banks are more conservative with their investment. Unlike many venture capitalists or angel investors, they are far more likely to approve a loan for an established business over a startup or emerging company. This is largely due to the fact that they are investing the money of their depositors.

However, thanks to government agencies such as the DIC, which work with many banks, small business owners can get business loans from banks with a strong business plan and well-prepared business loan request. Moreover, banks are more likely to give modest-sized loans, whereas venture capitalists are looking for much larger deals.

First and foremost, prior to approaching a bank, IBE should have all your key documents in order, starting with a solid business plan. IBE will also need to have the most recent financial statements available, projections for the business (this is typically in the business plan), and a repayment plan, plus collateral. Collateral may include:

- Hard goods such as equipment;
- Real estate;
- Stocks or bonds;
- Other personal assets;
- Personal guarantees.

Banks also want to know that you're making IBE own investment in the business. A bank is more likely to approve a loan if (pending a solid business plan) it sees that the owners are investing a good percentage of the necessary startup capital into the business.

To maximize IBE chances of receiving approval on a business loan from a bank, it’s wise to look at the situation from the standpoint of the Banker. A Banker wants to know:

- Exactly how an IBE will operate;
- Exactly how the money will be used;
- How an IBE plans to repay the loan and over what time frame;
- Whether an IBE is willing to take a significant financial risk in the business;
- How an IBE is responsible and can manage this business;
- Who else is involved in business management or operations, and will they also be responsible for the proper use of loan?

### Sources from which the Bank Manager can detect NPAs

The following are the sources from which the bank Manager can detect signals, which need quick remedial action:

- Scrutiny of accounts and ledger cards – During a scrutiny of these, bank Manager can be on alert if there is persistent abnormality in the account, or if there is any default in payment of interest and installment or when there is a downward trend in credit summations and frequent return of Cheque or bills,
- Scrutiny of statements – If the scrutiny of the statements submitted by the borrower reveals a sharp decline in production and sales, rising level of inventories, diversion of funds, the UCB Manager should realize that all is not well with the unit.
External sources – The bank Manager may know the state of the unit through external sources. Recession in the industry, unsatisfactory market reports, unfavorable changes in government policy and complaints from suppliers of raw material, may indicate that the unit is not working as per schedule.

Computerization of loan monitoring – In computerized branches, it is possible to computerize the loan monitoring system so that accounts, which show signs of sickness or weakness, can be monitored more closely than other accounts.

Personal visit and face-to-face discussion – By inspecting the unit the bank Manager is able to see for himself where the problem lies - either production bottlenecks or income leakage or whether it is a case of willful default. During discussion with the borrower, the bank Manager may come to know details relating to breakdown in plant and machinery, labour strike, change in management, death of a key person, reconstitution of the firm, dispute among the partners etc. All these factors have a bearing on the functioning of the unit and on its financial status.

‘Special Mention’ category of accounts – Based on warning signals obtained through both off-site and on-site monitoring, banks may classify accounts with irregularities persisting for more than 30 days under ‘Special Mention’ or ‘Potential NPA’ category. This will help the bank to initiate proactive remedial measures for early regularization. The measures include timely release of additional funds to borrowers with temporary liquidity problems and restructuring of accounts of sincere and honest borrowers after considering cases on merit.

On going classification – Although classification of assets is a yearly exercise, banks would do well to have a system of on going classification of assets and quarterly provisioning. This helps in assessing provisioning requirements well in advance. All doubts regarding classification should be settled internally and a system of fixing accountability for failure to comply with the regulatory guidelines should be introduced.

Strategy for reducing provision – The extent of provision for doubtful asset is with reference to secured and unsecured portion. Cent percent provision needs to be made for the unsecured portion. If banks can ensure that the loan outstanding is fully secured by realizable security, the quantum of provision to be made would be less. It takes one year for a sub standard asset to slip into doubtful category. Therefore, as soon as an account is classified as substandard, the bank Manager must keep strict vigil over the security during the next one year because in the event of the account being classified as doubtful, the lack of security would be too costly for the bank.

Cash recovery – banks, instead of organizing a recovery drive based on overdue, must short list those accounts, the recovery of which would provide impetus to the system in reducing the pressure on profitability by reduced provisioning burden. Vigorous efforts need to be made for recovery of critical amount (overdue interest and installment) that can save an account from NPA classification:

In case of a term loan, the bank Manager gets 90 days after the date of default to take appropriate action and to persuade the borrower to pay interest or installment whichever is due.

In case of a cash credit account, the bank Manager gets 90 days for ensuring that the irregularity in the account is rectified.
9.10

- Up gradation of assets – Once accounts become NPA, then bank Managers should take steps to up grade them by recovering the entire overdue. Close follow-up will generally ensure success.
- Compromise settlements – Wherever feasible, in case of chronic NPAs, banks can consider entering into compromise settlements with the borrowers.
- Recovery through legal recourse – Since provision amount progressively increases with increase in time, it is necessary to take steps to recover dues either through persuasion or by legal recourse. A strategy of fixing a dead line for recovery may force the bank to either recover or discard the asset off the balance sheet. UCBs may file suits promptly against willful defaulters. UCBs can take recourse under either a civil suit or the Special Recovery Acts passed by various states or the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002. The banks should vigorously follow up the legal cases.

Chapter:-iv

An entrepreneurial skills and their development depending upon numerous ingredients have been playing a very vital role in the working of SMEs. These skills are of two types i.e. Functional and General. The functional areas of entrepreneurial skills are production, marketing, finance, personnel and office administration etc. The production management has responsible for the improvement in quality of product, innovation in products or services. Marketing management is responsible for making the product or service available to consumers. Finance management is accountable for the management of financial resources like money management, investment, debts, taxes, deposits, loans and maintaining the proper accounting records. Personnel management relates with maintaining a well qualified and trained, experienced, efficient and effective staff; it has concern to the recruitment, selection, training, promotion, industrial relations etc. Office management is interrelated with keeping the records and documents in up-to-date manners. On the other hand general entrepreneurial skills are related only with the responsibility of all the departments. Thus the entrepreneurial skills are required at the number of places in the IBEs.

Truly speaking, besides proficient entrepreneurial skills, without the bank finances, an entrepreneurship cannot be developed, survived and increased their productive performance. In the globalize economy, there is a heightened necessity of the entrepreneurial skills and the finances together. Though some IBEs in the Beed district have been functional with the modern tools and techniques of the management for profit maximization, they have been infuriated by the short of finances. In an addition to it, an entrepreneurial skill in deploying the finances and congenial socio-economic environment is also mandatory. The various banks in the district are instrumental in financing the IBEs for their business. However, the utilities of the bank finances depends upon a number factors beside entrepreneurial skills. In reality the entrepreneurial skills are influenced by numerous factors while availing and using the bank finances. In order to verify a genuine state of affairs of IBEs and their bank finances, a sample survey of 100 IBEs from the Beed district was undertaken; the rationale and methodology of which are explained in first chapter.

Factors influencing (+) or (-) or abstracting/helping industrial and business entrepreneurship are many, some significant of them and related to bank finances are:- Economic Sectors of IBE units, Ownership Pattern, Delay in sanctioning loans, securing of guarantors, excessive Stamp duty, inadequate working capital, need for
collateral Security for working capital loans, weak monetary control, Marketing and market potentiality, securing guarantors, inadequate working capital, entrepreneur’s Qualifications, his Caste (Social Background), Experience, Investment, Maintenance Management, Office Record, Sources of Own Contribution, Rate of Interest, Pay Back Period, Delay In commencement, Increase in Overhead Cost, and RBI Directives etc.

It is reported by the nationalized bankers that they prefer to lend to the entrepreneurs in secondary/ Tertiary sector, while the cooperative banks excepting UCBs provide loans to IBEs whose business is in the Primary sector of economy. The IBEs having their business under Sole proprietorship, Joint Hindu Family, Partnership, Joint Stock Company or under Co-operative organizations are perceived by the bankers in different angle of vision while releasing the loans.

Ownership type
The ownership type of each business unit, from the banker point of views has some advantages and also many disadvantages. For example the banker has the following advantages in loaning to sole trading concern.

- The Single ownership facilitate to recover loans,
- Unlimited liabilities of entrepreneur may be fixed while recovering
- Flexibility of loan operation
- Minimum government regulations in loan sanctioning, Utilizing and recovering
- Business secrecy between baker and borrowers
- High level of economy/ efficiency in loan utilization may be accomplish

The following demerits of Sole Proprietorship directly or indirectly may obstacle the banker in advancing

- Karta may misuse his authority and bank loans
- No power to copartners in streamlined the loan utilization
- Chances of wrong decisions leads to misuse the loans
- Copartners have no access to accounts and hence they cannot supervise the loan transactions

Caste (Social Background)
The entrepreneurs told that there is no relation of caste and the success of business and procuring the bank loans too (?!). The caste may be useful to establish relations at the beginning phase of the business unit.

Investment
Almost all the IBEs having investment in varying scale agreed that the bank finance is helpful to them. However, it also observed that those who have higher scale of investment, they avail more bank finance as compared to those investing in the lower scale.

Maintenance Management:
The financial viability of business, as report goes from the financing bankers may be questioned due to poor maintenance of the plant and machinery and other assets purchased through bank loans.

Office Record for Loans control:
The office of an IBE is an important from the point of view of lending banker. Loan procurement and utilization record is neatly administered by good office system. A well-organized office makes possible to plan operations (includes utilization of bank loans) intelligently, to put its plan in to effect, to follow the progress cautiously, to determine the effectiveness promptly, to appraise the result without delay and to coordinate all the activities of the business. The office management as conceived above is lacking in number of SMEs under study; mainly it has the issues such as:

- Office lay out
- Division of work
Sources of Own Contribution for Loan

Many IBE told that the cost of capital has been on increase, hence they have to relay on private financial institutions for seed money or additional investment to get bank loans. Hence, it is suggested that once the project viability is tested and the banks get convinced about the potentiality and viability of the project, they should finance totally, as the beneficiary mortgages his original educational certificates and other property documents with DIC or financing institutions.

Rate of Interest on the borrowings other than bank

It can, therefore, be concluded that most of IBEs are paying high rate of interest to raise their initial contribution for bank loan required for business. Most of the IBEs opine that DIC must come to the rescue of the unemployed persons totally, once the project viabilities are tested.

Repayment

It can be observed that out of 100 sampled units, 53 percent of entrepreneurs are paying the loans regularly while 21% irregular and other 22% are defaulters. Just 4% likely to be liquidated due to heavy overdue of bank loans.

Delay in Establishing Increases Overhead Cost

To comply with all the formalities for bank loan application, the prospective entrepreneurs have to exhaust much time. All these formalities have not only dampened initial enthusiasm of the IB entrepreneurs but also made the prospective entrepreneur to spend considerable amount of money.

Securing Guarantors

There were the cases, where honest guarantors, after meeting bank officials, retreated without informing any one because of the cumbersome formalities. It is not out of place to mention here that no one would like to stand guarantee to an unemployed person or person whose business is not on going. Even the financial institutions, while sanctioning mortgaging finance for the purchase of machinery, are insisting for collateral security. In this connection, it may be noted that the assets (i.e., machinery) so created may be hypothecated in favor of the financial institution concerned; and insistence on an additional security must be warranted.

Stamp Duty

An effort should have been made by the department to see that entrepreneurs under the self-employment schemes are exempted from stamp duty.

Inadequate Capital

The inadequate working capital is another problem encountered by the entrepreneurs. Out of the 100 sampled units, as many as 67% have the problem of working capital.

RBI Directives in Evaluation of IBE Business Development

The banker while financing to the new IBE follows the conventional set of laws as already laid down by the RBI, DIC and the state govt. In addition to this, when the banker has to release the loans for the working capital or expansion purposes, the RBI
through its various circulars and guidelines time to time insisted to accord Favourable consideration toward positive contribution by the borrowers in the following areas of the development of his business

1. Turnover of IBEs’ units
2. Inventory Management
3. Product Quality
5. Product Management
6. Market Potential and Market Sizing Analysis
7. Categories of Customers
8. Marketing Management
9. Manpower Management/Employment Generation

The subsequent portion of the chapter verifies the IBEs status against RBI set of essentials that have to be observed by the banker for releasing the loans for the working capital or business expansion. The following facts were noticed while evaluating the entrepreneurial accomplishment as desired by the RBI

CHAPTER – V

“Banking is an essentially meant for servicing trade, commerce and industry. The banks are more often than not occupied in the three major types of services, viz. (i) Mobilization of deposits from the particular local vicinities and ancillary services to depositors (ii) Lending of funds to a wide array of business, industrial, economic and personal activities of entrepreneurs like traders, merchants, industrialists to secure maximum come back on their advances. (iii) As a catalyst, pass the finances of the Govt. or support agencies under Various Schemes, Subsidies, Incentives & Concessions to a wide array of business, industrial, economic and personal activities of entrepreneurs” (vide chapter No, page 1.1)

This chapter concentrate on (iii). The Govt and other support agencies have sponsored the various financial assistance schemes for IBEs; some significant of them are explained in the chapter. The Bank Borrowings, subsidies, Incentives, and hire-purchasing finances are either routed through the banks or facilitated by the banks on their own for the development of business of IBEs. “The entrepreneurship development” movement is primarily based on the belief that people can accept entrepreneurship as a career. In order to accelerate the speed of self-employment and entrepreneurship development, various institutions and organizations were established by the government. These institutions and organizations cater the business needs and requirements of the entrepreneurs particularly the 'First Generation Entrepreneurs’. The execution of these schemes is necessarily through the bank of IBE. Many times the bank acts as a promoter, councilors or advisor. Thus directly or indirectly it helps the development of entrepreneurship

The discussion on the various support institutions financing IBE from the Central as well as at the State level is made in the chapter. These agencies are working through the bank and assist the development of entrepreneurship and hence their role is evaluated in the chapter. The bank has a responsibility to take care of all such funds that has been routed through it.

Agencies helping IBEs through Banks

The IBEs through their banks are assisted/financed by the number of agencies like District Industries Centre, Directorate of Industries, Industrial Development Corporation (IDC), State Financial Corporation (SFC), Small-Scale Industries Development
Corporation, Khadi and Village Industries Commission (KVIC), Technical Consultancy Organisation (TCO), Small Industries Service Institute (SISI), National Small Industries Corporation (NSIC), Small Industries Development Bank of India (SIDBI), State Other Backward Classes Finance and Development Corporation, Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal. All these agencies have their own schemes for the IBEs’ assistance, the significant of them are.

1. Swarna Jayanti Gram Swarojgar Yojna (S.G.S.Y.)
2. Financial Assistance to Self Help Groups (SHGs):
3. Prime Minister’s Employment Generation Programme
4. Kissan Credit Scheme (KCS):
5. Rural Employment Generation Programme (REGP)
6. Package Scheme of Incentives (PSI)
7. State Other Backward Classes Finance and Development Corporation
8. Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal
9. District Industries Centres (DICs)

**Why the Govt., Bank or support agencies finance the IBEs**

Small-scale industry occupies a prominent place in the industrial economy. Its contribution in terms of number of units, employment and industrial production is quite impressive in both developed and developing regions. The banks after nationalization, as government agents have to take this fact into consideration. Small Scale Industry has some significant characteristics mentioned ahead which have been attracting increasing attention by the bankers in support of national policy, particularly developing different regions.

i. SSIU requires relatively less amount of capital per unit of production. Therefore, IBE can be developed with bank finance even in capital scarce economies;

ii. SSIU generates more employment. It is labour intensive. Therefore, IBE growth will help to generate more employment and bankers must finance more and more IBEs units.

iii. SSIU can make use of unskilled labour force from the rural areas if more IBEs are established. Without bank finance, it will remain a dream.

iv. SSIU can be set up within a short period of time and banks could be released from the tension of recovery funds due to short gestation period of productive utilization of bank funds.

v. SSIU relies less on infrastructure and therefore can be located even in underdeveloped regions where the banks as social obligation have to finance. Thus, IBE can be utilized to achieve balanced regional/industrial development and to which the banks could have larger hand.

vi. SSIU facilitates technological upgradation and innovations to which the banks may support directly or indirectly.

These characteristics have prompted Govt, nationalized and private sector banks and Govt. sponsored support agencies to adopt exclusive policies and programmes to promote small scale industry by way of advancing finance. Exclusive Policies and
programmes for small industry of the above financiers may comprise of some or all of the following elements:

- Management and administrative body of IBEs industrial by the bank representatives;
- Industrial extension and advisory services;
- Specialized trading and technical services;
- Infrastructure development finance;
- Encouraging Training for entrepreneurship development;
- Measures to promote sub-contracting by giving liberal financial support;
- Exclusive financial wings for the purpose of development of IBEs;
- Fiscal and financial incentives when there is a prompt repayment of loans;
- As a catalyst, pass the finances of the Govt. or support agencies under Various Schemes, Subsidies, Incentives & Concessions to a wide array of business, industrial, economic and personal activities of entrepreneurs”

Problems in availing the finances

It is found in the experience survey that many of those who applied for loans, subsidies, incentive or concession under the various schemes could not secure them; many due to ignorance did not even apply for them. The IBEs told about the problems of applying and getting loans. These problems are Lack of Information, Condition of Loans, Multiplicity of Documents, in adequate Inspections, perseverance on Security, derisory Valuation of Security, small Advances against Pledge and Receivables, Multiplicity of Limits, Delay, Repeated Visits, Repayment irregularities, Corruption through Economic and Political forces etc

- Delay:

Reasons for the delay were discussed by the Maharashtra Bank in some of its annual reports. It was said that some times the funds had to be withheld even after being sanctioned because the applicant’s credit-worthiness was considered to be doubtful. If the title to the land was not clear additional documents had to be drawn up and executed. Some times the properly pledged was not in the name of the borrowing concern but the personal names of partners or others. In such cases, the Bank had to make the owners mortgage the deed. There were instances where essential documents were either missing or had not been executed at all? An important cause of delay in sanctioning loans was the appraisal of technical feasibility of a project. Non-literate IBEs were often unable to present the technical feasibility report as required by the Bank.

- Repeated Visits:

16 of the 20 IBEs who applied for a loan to the Department of Industries said that they had to visit the District Industries Centre many times (an IBE, even mentioned fifty visits) before they could secure a loan. In the bureaucratic set-up, the applicant had to meet and bribe the official at every step- the receipt clerk, the inspector, the officer and the issuing clerk. In a small-scale unit, the IBE had often to play multiple roles as IBE, manager, worker and messenger. Even one trip to the District Industries Centre requiring absence from work for three to four hours cost him a lot and he preferred to borrow from private sources at a higher rate of interest.

Incentives Granted By Government:
The Majority number of IBEs does not know about the incentives and subsidies that are made available to them by the Govt. and the various agencies. The banker has to accord a positive weightage to IBEs’ potentialities to avail the various insensitive or subsidies granted by the Govt or by the entrepreneurial support agencies. These schemes are discussed ahead:

**Financial assistance:** The following types of financial assistance have been made available to SMEs from the Beed Dist.

(a) Guarantee of Loans.
(b) Underwriting and purchasing of shares,
(c) Loan under the Maharashtra State Aid to Industries Act.
(d) Supply of machines on hire purchase terms under the State Aid to Industries Act.
(e) Sponsoring of the hire purchase application with National small industries corporation.
(f) Loans from the Maharashtra State Financial Corporation, and
(g) Financial assistance made available to industries from commercial block.

Under the Maharashtra State Aid to Industries Act, financial assistance is available to small scale industries in the following forms:

(a) Grant of loans,
(b) Grant of subsidy,
(c) Guarantee of minimum return on the whole or part of the capital of a joint stock company.
(d) Taking of share of debentures.
(e) Grant on favorable terms of land, raw materials or other property vested in the state.
(f) Supply of machinery on hire purchase terms.
(g) Supply of electrical energy at concessional rates, and
(h) Guarantee of cash credit overdraft at fixed advance with a bank.

**Chapter - vi**

The author sought the help of the Beed District Industry Centre office and managed to collect the data for the purpose of this thesis. The chapter aims to investigate the reasons for failures of entrepreneurship with the help of empirical evidences collected through the *experience survey*. During the last five years period more than 400 SMEs (Small and Medium Scale Enterprises) of IBEs are financed by the banks, mostly through the various schemes of the financing agencies after the recommendation of the DIC Beed. However out of those, nearly one third were successful while two third were unsuccessful. This is noting but the failure of the entrepreneurs and loss of the finances. There are several reasons for the failure of entrepreneurs in. The chapter deals with the failures of entrepreneurs as reported by the by the number of entrepreneurs in the experience survey.

Why do entrepreneurs fail? An entrepreneurial pit falls observed in the survey are perilously noted down. It has been observed that entrepreneurship plays an important role in the process of economic development of the Beed district. It is told that liberalization of loans initiated since 1991. An existing panorama of the Beed district is that, on one hand the development of IBEs has been increasingly encouraged by the Govt., various financing agencies and by the banks, while on the other hand there has been an all-encompassing failure in the IBEs run enterprises. Hence, the chapter delineates the various issues like Entrepreneurial Drawbacks Leading to Failures, Industrial Sickness, and Why Units Become Sick in the Beed Dist? Alarming Signals of Sickness, The
Strategy for Prevention of Sickness by Bankers, Remedies and Rehabilitation Measures Suggested by Bankers, Supervision of Bank Credit and Rehabilitation of Sick ,Units of IBEs for better Management ;The Banker’s Rehabilitation Approach, Nursing: Approach and Precautions, Relief By Banker for Better Performance, Various Steps taken by the Government to Control the Sickness in IBEs’ enterprises etc.

Failures of IBEs Business Units
- Failure in financial planning (64%)
- Use of outdated technology (24%)
- Failure in implementing marketing strategy effectively.(88%)
- Deficiency of effective management. (76%)

(A) Internal Causes
1. Failure in Planning:
   a) Absence of Technical Feasibility: - (34%)
      1) Inadequate technical know-how
      2) Location Disadvantage due to inadequate finance
      3) Outdated production process
   b) Inadequate Economic Viability (88%)
      1) High Cost of inputs
      2) Incapability to reach to Break even point
      3) Uneconomic size of project
      4) Underestimation of financial resources
      5) Unduly large investment in fixed assets
      6) Over estimation of demand.
   c) Late or long gestation period for Implementation:-
      ▪ Cost overruns resulting from delays in getting licenses and sanctions etc.
      ▪ Inadequate mobilization of finance.

2. Production Failures
   a) Faulty Production Management (44%)
      1) Inappropriate product mix.
      2) Poor quality control.
      3) Poor capacity utilization.
      4) High cost of production.
      5) Poor inventory management.
      6) In adequate maintenance and replacement.
      7) Lack of timely modernization.
      8) High wastage’s
   b) Poor Labour Management (64%)
      1) High wage structure.
      2) Inefficient handling of labour problems.
      3) Excessive manpower.
      4) Poor labour productivity.
      5) Poor labour relations.
      6) Lack of trained & skilled labour.

3. Faulty Marketing Management (88%)
   1) Dependence on single customer, single product on limited number of products.
   2) Poor sales management.
   3) Defective pricing policy.
9.18

4) Booking of large orders at fixed prices under inflationary market conditions.
5) Weak marketing organization.
6) Lack of market feedback and market research.
7) Lack of marketing skills.
8) Unscrupulous sales/purchase practices.

4. **Defective Financial Management (78%)**
   1) Poor resource management and financial planning.
   2) Faculty costing policies.
   3) Lack of financial discipline.
   4) Shortages of funds.
   5) Over trading.
   6) Unfavourable gearing or keeping adverse debt equity ratio.
   7) Inadequate working capital.
   8) Absence of cost consciousness.
   9) Lack of efficient collection machinery.

5. **Defective Administration/Management (44%)**
   1) Over centralization.
   2) Lack of Professionalisation.
   3) Lack of Management Information system.
   4) Lack of controls.
   5) Lack of timely diversification.
   6) Excessive expenditure on Research and Development.
   7) Dividend loyalties or lack of loyalty to a particular unit.
   8) Income tent and dishonest management.

(B) External Causes
1. **Infrastructural Bottlenecks (40%)**:
   1) Non availability or irregular supply of raw materials.
   2) Chronic Power shortages.
   3) Transport bottlenecks.

2. **Financial Bottlenecks (44%)**:
   Non availability of adequate finance

3. **Govt. Policies, controls, etc. (26%)**:
   1) Govt. Price Controls.
   2) Fiscal duties.
   3) Abrupt changes in Govt. policies.

4. **Market Constraints (88%)**
   1) Market saturation.
   2) Rapid technological progress making products obsolete.

5. **Other Factors (66%)**:
   1) Natural Calamities.
   2) Political Instability.
   3) War.
   4) Strikes.
   5) Labour union problems.

As failure of entrepreneurs is costly both to the individual and society. It is desirable that they should take care and try to be proactive so as to make their ventures successful.
There are four entrepreneurial pitfalls where the new and growing business typically gets into trouble. All four pitfalls are foreseeable and avoidable.

1) Failure of New Product or Service
2) Unexpected success does not assure Stable cash flow:
3) Failure in Team Building:
4) Imaginary Threats when business in success

**Note on Industrial Sickness**

Industrial units in confluence of the above discussed Drawbacks superglue to SMEs, they are made incapable financially sustain themselves and they are generally called "sick units" in India. A merely financially-troubled SME does not automatically becomes a sick unit: it has to be designated as such by the government. The Board for Industrial and Financial Reconstruction (BIFR) is assigned with the responsibility of hearing cases that apply for being declared sick and deciding whether or not the unit deserves to be termed “sick.” The BIFR is also the authority that must approve takeover of a sick unit. The ultimate recourse in tackling a sick unit is its liquidation by liquidator based in different parts of the country, but revival possibilities are many to avert liquidation.

Industrial sickness being a financial problem means different things to different people. A sick unit is unhealthy unit to common-men, a dividend postponing unit to investors, a losing and discouraging unit to industrialists, a doubtful debtor and a weak borrower to creditors and bankers, a victim of technological changes to technocrats, a bad employer to workers and a great wastage of technical and human resources to the country. Thus, the central reason of sickness lies with the constant inability of an industrial unit to generate an output larger than its inputs disturbs the repayment schedule fixed by the banker financing the unit. Moreover its internal generated surplus is inadequate to meet the need of margin money for borrowing working capital due to past constant loss and the unit is dragged from bad to worse condition and at last its survival on external funds brings gradual shrinkage and closure.

The internal causes for which sickness is achieved by the units are bad fund (inclusive of funds from banks) management due to inexperienced and inefficient management personnel, unplanned expansion, stock mismanagement due to bigger inventories, more credit purchases, more expenditure due to unproductive fixed assets and function, inadequate collection of receivables, defective buying of poor quality assets and raw materials, more replacement due to poor maintenance, lack of scheme of modernizing technology and absence of industrial relations etc. These causes make the unit gradually sick and turn the concern economically non-viable.

The external causes are not within the control of the sick units. Such causes are shortage of power and energy, disrupted supply of raw materials, artificial economic constraints, unrealistic and erratic pricing policy and unsuitable and inadequate delay by financial and governmental agencies in extending help and deficiency of demand in the market.

In case of sickness the banker should extend further loan for correction of sick condition instead of freezing the account. Freezing of account will force the sick unit to turn to other financing agency for loan and it will hide sickness.

The Study Team of the State Bank of India, in its report on Small Scale Industries Advances, 1999, defines a sick unit as one which fails to generate an internal surplus on a continuing basis and depends for its survival upon a frequent infusion of external funds. The Reserve Bank of India defines an industrial unit as sick "if it has incurred cash loss for one year and in the judgment of the Bank, it is likely to continue to
incure cash loss in the following two years and it has imbalance in its financial structure such as current ratio being less than 1:1 and worsening debt equity ratio."

**Why Units Become Sick in the Beed Dist?**

The financial management has direct concern to know about exact reasons of sickness or has to answer the question “Why unit is sick?” Units have found sick in the Beed District because of mistakes made

(i) by the banker or
(ii) by the SME owner or
(iii) Uncontrollable Environment.

(i) **The Bankers’ Mistake:** The bankers may commit the following mistakes & affect the finances of units:

- Permitting location of the project at an ill-suited place causing to need of more overhead for up-keep;
- Inadequate credit or too much credit leading to over or under capitalization;
- Accepting over ambitious and unrealistic sales projections for assessing the financial requirements;
- Laxity of control by not ensuring a proper way of disbursal resulting into diversion of funds;
- Ineffective financial supervision due to lack of adequate and trained staff to supervise credit;
- No casual inspection of stocks;
- Permitting delay in submission of statements, returns and financial accounts; and
- Deficient or defective documentation.

(ii) **The SME Owners’ Mistake.** The mistakes on the part of SME owner - borrowers can be further classified into categories, namely, ‘honest’ and ‘dishonest’ mistakes concerning to finances.

**Honest Mistakes.** These are those financial mistakes which occur not because of mal-intention on the part of the borrower but because of his ignorance to plan things properly. The following area a few such examples:

- Wrong choice of products leading to waste of bank finance;
- Inadequate equity base;
- Over-investment in fixed assets not immediately required for purchase of unproductive fixed assets;
- Deficiency in financial skills;
- Defective purchase policy resulting in piling up of stocks;
- Uneconomic pricing policy;
- Poor credit collection system;
- Excessive borrowings;
- Incorrect estimation of demand of the product and the competitive position;
- Inadequate marketing arrangements or improper distribution system; and
- Obsolete plant and machinery resulting in high costs of production and inferior quality leading to cash loss.

**Dishonest Mistakes**

- Diversion of funds for non-productive or speculative uses;
- Over-invoicing or high valuation of stocks for the purpose of availing more credit than his financial strength permits;
- Mentioning wrong quantity and quality of stocks in the stock statements;
- Drawing accommodation bills and getting them discounted;
9.21

- Multiple borrowings—even same goods being hypothecated to two banks;
- Poor plant maintenance;
- Absconding.

(iii) Uncontrollable Environment. Very often, problems arise because of external or internal factors beyond the control of the SME owner and the banker. These can be called as the environmental factors and the following are a few such instances:

- Shortage of infrastructural facilities like power, fuel and raw materials.
- Labour troubles;
- A change in fashions, tastes, etc.;
- Recessionary tendencies in the concerned product of parent units in the case of ancillary industrial units;
- Natural calamities;
- Fall in the export market;
- A shift in Government policies relating to (a) Export-import restrictions.
(b) An increase in excise duty;
(c) A sudden hike in wages due to a new industrial policy or promulgation of the Minimum Wages Act, etc.;
- Dissensions among partners;
- Untimely death of a key person.

Some of the following features, if evident in the operations of the account, may raise a suspicion in the minds of the bankers and they may clarify it through discussion with the SME owner:

- Heavy cash withdrawals.
- Payments in round figures
- Proceeds of cash sales not coming to the account.
- Slow collection of debtor’s receivables.
- Full utilization of the limit most of the time and the balance remaining stagnant indicating a shortage of funds or a recession in demand.
- Frequent returns of cheques with the ‘refer to drawer’ memo.
- Slow turnover of operations.
- Frequent requests for drawings beyond permissible limits/drawing power

The Strategy for Prevention of Sickness by Bankers:

Based on the above alarming signals, bankers may be asked to follow the following norms to detect such signals in advance and take suitable action.

- Adherence to fundamental principles of lending.
- Utmost care should be exercised when the owner wants to leave one bank and come to another bank.
- Monthly stock statements should be closely examined with regard to valuation and movement ‘in’ and ‘out’ of stocks. Some physical verification on a random basis should be done at regular intervals.
- Stock inspection should be done frequently with an element of surprise.
- A dialogue should be held if the account operations indicate any sign of sickness.
- A regular contact with the debtor should be maintained and frequently, in an informal manner, information should be gathered about various parties from various sources including their competitors.
- A break-up of books debts age wise should be obtained every month to ensure that receivables are regularly moving.
- Financial statements must be prepared within six months of the close of the accounts.
Some information system, on the lines of the Chore Panel suggestions, should be introduced to throw up signals of incipient sickness well in time. The information system should have inbuilt checks to ensure the reliability of the data furnished.

Banks should have counseling and consultancy services which may render help in the selection of a product, inventory control, production planning, costing and pricing, and financial planning.

**Relief by Banker for Better Performance:**

The following relief and concessions are provided by Bank to potentially viable sick so as to secure better financial management:

- **Rate of Interest.** The interest charged during the period from finalization of package till the actual implementation of the same is funded. The rate of interest on term loans is reduced wherever necessary by not more than 3 per cent in case of tiny/ decentralized sick Units of IBEs and 2 per cent in other sectors, provided the interest rate so charged is not less than interest rate being charged in advances sanctioned under IRDP.

- **Financing of Cash Losses.** Since the Unit of IBE may continue to incur cash losses during initial stages of implementation of rehabilitation package, the cash losses excluding interest thus incurred by the Unit of IBE are financed till it achieves break-even point.

- **Sanction of fresh Working Capital Facility.** Need-based working capital facilities are sanctioned at the rate of interest not exceeding 13 per cent.

- **Contingency Loan Assistance, Start-up Expenses.** For meeting escalation in the capital expenditure to be incurred under rehabilitation programme, the banks may provide, if considered necessary, contingency loans up to 15 per cent of the total cost of rehabilitation at the rate of interest charged on working capital limits. Similarly they can also provide for start-up expenses and margin for working capital requirements in the form of long-term loans.

- **Promoters’ Contribution.** In case of tiny Units of IBEs, promoters’ contribution should be minimum 5 per cent of cost of rehabilitation (10% in case of SSI Units of IBEs). However, in case of decentralized Units of IBEs promoters’ contribution may not be insisted upon.

**Various Steps taken by Government To Control the Sickness in SSIs**

i) The RBI has issued some instructions to banks on the system of asset classification, classifying the advances of banks into four categories viz. standard, substandard, doubtful and loss. As soon as the advances come under the category of doubtful, the position relating to all the advances granted to the concerned Units of IBEs should be reviewed and the Unit of IBE is classified as sick if it satisfied the condition relating to erosion in net worth.

ii) The government has instructed nodal agencies/all India financial institutions/commercial banks to prepare viability studies and nursing programmes.

iii) In order to tackle the problem of sickness among the Units of IBEs expeditiously, RBI has advised banks to setup cells at important regional centers also. Besides, the cell at the head office is required to deal with sick industrial Units of IBEs.
and provide expert staff including technical personnel to look into the technical aspects.

iv) Commercial banks have been instructed to meet the credit requirements of Units of IBEs in 85 districts as per the recommendations of Nayak Committee. This will encourage and promote the concept of Single Window Scheme.

**Recommendations for Better Performance:**

The following relief and concessions are recommended to potentially viable sick so as to secure better financial management:

(i) **Rate of Interest.** The interest charged during the period from finalization of package till the actual implementation of the same may be funded. The rate of interest on term loans is to be reduced wherever necessary by not more than 3 per cent in case of tiny/ decentralized sick Units of IBEs and 2 per cent in other sectors, provided the interest rate so charged shall not be less than interest rate being charged in advances sanctioned under IRDP.

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(iv) **Contingency Loan Assistance, Start-up Expenses.** For meetingescalation in the capital expenditure to be incurred under rehabilitation programme, the banks may provide, if considered necessary, contingency loans up to 15 per cent of the total cost of rehabilitation at the rate of interest charged on working capital limits. Similarly they can also provide for start-up expenses and margin for working capital requirements in the form of long-term loans.

(v) **Promoters’ Contribution.** In case of tiny Units of IBEs, promoters’ contribution should be minimum 5 per cent of cost of rehabilitation (10% in case of SSI Units of IBEs). However, in case of decentralized Units of IBEs promoters’ contribution may not be insisted upon.

**Conclusions**

This chapter is divided in to two parts. The first part delineates the Experiences of Bankers, while Financing and the second part deals with IBEs’ Feedback about banking services. 26 commercial / cooperative branches out of 263 i.e. 10 % of the aggregate branches from the Beed district were visited. All these branches were located in the Beed city or at the talukas places of the district. It was a conscious decision of the researcher to visit only those branches which were engaged in financing IBEs during the last five years. The required information through questionnaire was collected with the help of duly selected respondents /bankers. All the questions were asked to the sampled respondents by using the experience survey technique and have been analyzed in the same order as they appear in the questionnaire. Researcher has endorsed his observations at the end of every question based on the information provided by the respondents.

**Experiences of Banks in financing Entrepreneurs**

1. **Finances to Medium and Small IBEs**
   - 92% of the branches which responded confirmed having many small and medium units on their loan portfolio.
8% of the branches told that they do not have many small and medium industries on their loan portfolio. However they are having more non industrial finance like personal loans, consumer loans etc.

2. Help from Bank in emergency
- Seventy six percent of the bankers felt that they are meeting the emergency needs of the IBEs on emergency basis.
- Eight percent of the bankers did not respond to this question.
- Eight percent do not respond to IBE’s urgent needs on emergency basis.
- Eight percent were candid to admit that sometimes they do meet the needs of the IBEs on emergency basis. It is not always possible to meet all the needs of all the IBEs on emergency basis.

It is not possible to meet all the needs of all the IBEs all the times. Banks’ guidelines do not confer unlimited powers to branch managers. They have their limitations. Still majority of them were found willing to help their IBEs even at the expense of exceeding their power. It is better that the banks define what constitutes an emergency and what actions can be taken by branch managers, so that they exercise prudence while exceeding their prescribed authority. In order to meet the emergency needs the banks sanctions a cash credit to IBEs.

3. Duration for Disposal of IBE’s Proposal
- No bank informed that they dispose of a loan proposal within a week.
- 62% bankers informed that they are able to dear an IBE’s proposal within a fortnight.
- 38% took about a month to decide on an IBE’s proposal.
- 0% bankers took more than a month to sanction a proposal.

This analysis shows that, the banks are in a position to dispose of IBE’s proposal within a reasonable period. They also, do not show undue haste in sanctioning the proposal. The fact that 62% bankers are able to clear proposals within a fortnight speaks well of banks’ efficiency. However, this should match with the customers’ point of view. The banker need longer time in sanctioning the loans since he has to observe the following general principles while sanctioning the loans to IBEs

4. Financial Discipline
- 23% bankers felt that only less than twenty five percent of their borrower IBEs are observing financial discipline.
- 23% felt that between 25-50% of the borrowers observe financial discipline.
- 31% felt that between 50-75% of their IBEs are having financial discipline.
- 23% felt more than 75% of the borrowers maintain financial discipline.

It is observed from above that, there is no consensus among the Bankers about financial discipline being observed by their IBEs. There is no standard yardstick to define what exactly constitutes financial discipline. Each banker may have his own judgment about this.

5. Purchase and Discounting of Bills of Exchange:
- About 69% bankers were in favor of their IBEs using bill finance for their sales finance requirement.
- 31% were in favor of allowing cash credit or overdraft facilities to their IBEs.

This shows that majority of bankers are convinced about the virtue of facilitating the bill finance. Almost all the committees set up for suggesting a scientific way to sanction working capital finance have suggested the use of more bill finance, mainly to ensure and utilization of funds and self liquidating character of this finance. Of course, the bankers who are yet to sharpen the idea of using bill finance are probably suspicious of administrative burden involve in bill financing at the branch level. The work involved is more if there are large numbers of bills of small amounts.
6. Diversion of Money
- 54% of bankers were apprehensive that small and medium industries have an inclination to divert funds from business to either acquire fixed assets or to use funds for other domestic and personal purpose. This leads to enlarge the difficulties in recoveries of loans
- 38% of bankers did not think that their IBEs are in a habit of diverting funds from the business.
- 8% of bankers felt that some borrowers have a tendency to divert funds causing late loan repayment.

Diversion of funds from business is a serious matter. This deprives an industrial unit the life and blood of their business. This means that unit will face shortage of funds for its production needs. This affects the functioning of a unit adversely and as a result leads to a situation where borrower approaches his bank frequently for more money and overdrafts.

7. Time lag Reduction in Loan sanction

A unit can become sick if there is delay in sanctioning the facilities. It is akin to old axiom that ‘justice delayed is justice denied’. It is a healthy sign that all bankers are now aware of the importance of timely sanction and release of funds to the units. This may be due to the fact that now day’s bank managers enjoy more sanctioning power than in the past. This eliminates or reduces some channels of decision making. Since the needs of small and medium units are low, there may be quick disposal of IBE’s proposals at the branch level. The early release of loans, however, may not bring about the timely recovery of loan, as reported by the many bankers.

8. Reduction in Paperwork

Completions of papers at the time of considering requests lead to a Lot of delay in assessing the credit request. Loan documentation is another area that causes lot of delay in releasing the funds. It is apparent that most of the banks have taken steps to reduce and simply paperwork. Many times the lessening in the paper work may show the way to escape the defaulters from the loan obligations in want of documents that had to be collected by the bankers while sanctioning the loans.

9. Are Educated IBEs Cooperative?

Most of bank managers and bank official are educated and Hindi, Marathi and English speaking. It appears that communication gap gets reduced considerably when people interact in the same language. They can interact with IBEs more freely.

Speedy Realization of Bills

Due to advancement in communication technology and availability of courier services there has been improvement in realization of bills. Banks have also become more efficient in bill realization by imposing self discipline. Banks have to pay interest on the bills if realization is delayed beyond a particular time.
- 92% bankers informed that bill realization has become fast. Fast realization of bills is crucial to effective utilization of bill limit.
- Only 8% bankers were of the opinion that there has not been any improvement in this area.

10. Sources of Working Capital

- Money lenders / Private financier emerged as the most popular alternate choice of bankers, notwithstanding high rate of interest being charged by them. 54% banker made this suggestion.
- 38% bankers suggested NBFC finance as next best alternate choice. This again is a very costly proposition.
- 31% bankers suggested recourse to trade credit.
- 23% bankers suggested borrowings from friends and relatives as an alternate.
15% bankers did not make any suggestion.
38% bankers made other suggestion, all of which are not applicable to small and medium industries.

II

IBEs’ Feedback about banking services

Introduction

After consultation with bankers from the Beed City, 20 IBEs having a good or “A” Grade Record with bankers of repayment for more than five years were selected under the purposive sampling technique for the field investigation and the necessary questions were asked to know their experiences while transacting with the banks. The information elicited from these 20 sampled IBEs provides the good side of the entrepreneurs and their relations with the banks on one hand and other hand the same information helps to visualize the status of other entrepreneurs confronting the pessimistic environment including failures.

1. Facilities from Bank

- 70% of the respondents are enjoying loan facilities for their units.
- 70% of the respondents enjoy overdraft /cash credit facility for working capital requirements.
- 40% borrowers are also enjoying bills and cheque discounting facilities for their sales finance.
- 30% borrowers are utilizing non fund based facility of letter of credit and bank guarantee for their operations.

Bank loans are a versatile source of funding for business. These loans can be structured as short term or long term, fixed or floating rate, demand or with a fixed maturity. Normally banks finance loans with a maturity of less than one year. These loans constitute more than half of all commercial loans. These are used for financing working capital needs which may be for building up of inventory and/or receivable.

2. Preference for Cash Credit

100% borrowers showed preference for cash credit facility when compared with loan or bill discounting facility for working capital financing. No borrower showed inclination to avail loan or bill discounting facilities.

The system of cash credit permits the borrowers to keep his surplus funds in the bank and also enables him to draw funds when required. It relieves him of the responsibility of making any conscious efforts to manage his cash resources. On account of stress on the security aspect, there has not been a conscious effort on the part of banks to verify the end use of funds. This facilities diversion of funds for unapproved purposes and the lending banker becomes aware of it after considerable lapse of time.

3. Difficulties Faced in availing of Facilities

- 60% borrowers face the maximum difficulty in fulfilling the paper requirement of the banks.
- 40% bankers feel that delay in sanction is an irritant in availing bank finance.
- 15% borrowers express no difficulty in availing bank finance.
- 10% borrowers found the attitude of bankers uncooperative.
- 5% units only spoke about expectation of any illegal gratification.
- 0% units thought that banks interfere in their working.

All the above stated actions involve lot of time and paper work. The responses to the question highlight that the two prominent difficulties which borrowers face are:

1. Lot of paper work &
2. Delay in sanction.
The other difficulties expressed as trivial or of not much consequence. In the earlier questionnaire of bankers, the findings were that there has been perceptible improvement in both these areas. It may be possible that banks have been trying to simplify loan procedure but they are still not able to meet customers’ expectations.

4. Bankers’ willingness to help the customers
- 40% IBEs felt that bankers respond to the needs of the IBEs very sympathetically.
- 30% borrowers said that the bankers may not be very sympathetic; nevertheless they are eager to help you.
- 20% borrowers did not observe any eagerness on the part of their bankers to help them. They find their behavior quite normal.
- Only 10% bankers felt that bankers are indifferent to their needs.

The above analysis goes against an old saying “banker is a person who lends you an umbrella but withdraws it when it starts raining”.

Customer Friendliness
- 100% borrowers replied that bankers have become more customers friendly.
- 0% IBEs thought otherwise.

Simplification of Procedures
- 85% borrowers replied that banks’ Loan Procedure has become simpler.
- 15% IBEs thought otherwise.

The future performance of banks will depend upon how they perceive the customer’s needs, both, present and future. The banking environment would inevitably force the banks to perform at their optimal level so as to survive and grow with profits. Skills have to be reoriented and banks have to invest in retraining of human resources in the new areas. Besides up gradation of skills, simplification of procedures, organizational restructuring, introduction of new technology, the attitudes of front line managers has to be changed to fulfill the aspirations and expectations of their customers. Marketing would be the key strategy in banks’ business plans to retain good customers and to anticipate their demands. It is heartening to observe that 100% of the customers in the survey feel that bankers have become more customers friendly. This augurs well for Indian banking.

Are the bankers liberal in Sanctioning of Loans (?)
- 70% borrowers felt that banks have become more liberal in sanctioning of loans.
- 25% IBEs thought that there is no change in their bankers’ thinking.
- 5% replied that liberal attitude varies from person to person. It cannot be generalized.

Banks have been under compulsion to improve the quality of their services. Nayak committee as well as S. L. Kapoor committee about financing of small-scale industries have recommended increasing the power of branch managers to meet the demand of majority of customers at branch level to ensure quick disposal of credit proposals. Banks are flush with funds and there is an overhang of liquidity in the banking system. Banks are finding it difficult to lend their funds to creditworthy customers. This means that banks are more than willing to meet their good customer’s demand readily since most of the customers in the sample were introduced by the managers to the researcher it may be Possible that they were banks’ valuable IBEs. Hence, 70% of them found that banks have become more liberal in meeting their credit requirements. A bank earns maximum profit by lending to direct borrowers.

Adequacy of loan amount (?)
- 70% borrowers replied that banks always sanction fewer amounts than what is requested by them.
- 30% experienced that banks do not always sanction less amount than what is requested by them.
Banks have been operating in an environment where lendable resources were scarce and demand for credit was more. There has been a tendency on the part of borrowers to ask for more credit facilities than warranted by their business needs because they wanted to have sanctioned facilities to meet any contingency. The norms for keeping current assets introduced by Tandon Committee brought down their bank facilities considerably.

**Gap in Loan demanded and sanctioned**
- 75% borrowers replied that the gap between requested and sanctioned amount is getting narrower.
- 15% borrowers thought that there is no change in the scenario.
- 10% IBEs did not express any opinion.

There could be several reasons for the above situation.

**Time Reduction in Loan procurement**
- 80% borrowers informed that the time lag between submission and sanction of proposal has reduced.
- 10% customers did not think that any improvement has taken place in the area.
- 10% customers did not reply to this question.

**Purpose to Use Increased Borrowings**
- 60% of the borrowers informed that they would like to use additional borrowings to increase inventory.
- 55% borrowers preferred to grant more credit in the market.
- 35% borrowers would prefer to pay off sundry creditors.
- 10% borrowers would prefer to use increased banks borrowing to repay private borrowings.
- 10% borrowers informed other purposes which were:-
  - Introducing new technology in the unit
  - To repay financial institutions.

**IBEs Satisfaction Over Bank Services**
IBEs satisfaction can be measured in terms of their impression about lending policy of Bank especially urban cooperative banks. During the course of survey more than 60% concerns have reported their total displeasure about the following matters.

- The Bank does not have supervision and advisory cell to guide the borrowers and help them in their difficulty.
- The Bank lacks in internal resources and hence, it could not evolve its own financing scheme looking the needs of people in the district. It is only reduced to dismal link between borrowers and apex co-operative Bank for execution of state level loaning policies.
- Linking of credit with marketing is not properly managed by Bank and its poor management deprives borrowers to accept this scheme.
- Banking, Services offered to depositors or borrowers are below standard.
- The loan policies based on false business reports and credit status report are abstracting the businessmen to borrow adequately at right time.
- Loans in kind, when given are found useless due to inferiority of kind component.
- Delay in sanction loan may extend more than six months for LT loans while for ST loans it may more than 10 to 15 weeks.
- Individual loans are given only to friends and relatives of the BoDs /members of staff from managerial cadre.
- Manipulated repayments and book adjustment are common. This may likely to conceal the real position of Bank.
Rising amount of overdues on the name of political lenders, relatives of board of members or officers, etc. demoralizes the Bank staff and members.

Despite the overdues accumulation to particular borrower, the BANK sanctions the loans.

Investment policy locks up the funds which can be used for lending.

Some of the IBEs are given loans under the pressure of influential director or political leaders.

Loans are given processing units without first ascertaining the economic and technical feasibility of the project.

Inadequate planning of loans disturbs the Bank viability and the business of borrowers.

**Alternate to Bank Borrowing**

There has been an atmosphere of mistrust between banks and their IBEs. Even from the days of late sixties there has been a feeling among banks that bank finance given to industries by way of cash credit system is vulnerable to misuse i.e. it can be diverted from the business either for unproductive purposes or for acquisition of fixed assets. This feeling is still persisting among banks. Now-a-days bankers are divided in their opinion and substantial number of them feels that borrowers are observing financial discipline. Bankers are still having perception that borrowers have a tendency to divert funds from the business but borrowers as a class do not agree to diversion of funds from the business. Borrowers in small-scale sector follow a moderate working capital management policy. They prefer to keep more current assets in their business that means they prefer low business risk. However, given a chance they would not mind adopting an aggressive working capital financing policy. They prefer to deploy more borrowed funds in their business.

IBEs feel that banks ask for lot of information from them, which naturally result in lot of paper work. This has emerged as number one major irritant in their relations. IBEs do agree that paperwork has been simplified but all of them feel that banks can still reduce lot of paperwork. Most of the information called for is repetitive in nature. Bankers feel that it is easy to deal with educated IBEs. Situation may improve if IBEs are educated properly about the requirements of a bank from a borrower IBE. This formal education may help in removing some of the misunderstanding about role of a banker. Education alone can help in providing timely information thereby reducing delay in sanction.

**Entrepreneurship development (ED)** refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. ED aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. Entrepreneurship development focuses on the *individual* who wishes to start or expand a business. Small and medium enterprise (SME) development, on the other hand, focuses on developing the *enterprise*, whether or not it employs or is led by individuals who can be considered entrepreneurial. Furthermore, entrepreneurship development concentrates more on growth potential and innovation than SME development does. However, many of the lessons learned from experiences in both types of development are similar.

**Suggestions**

(i) **IBEs** from the Beed district have a low level of awareness about the modern management techniques and tools. It may be desirable if the banks can arrange a formal training programme for their IBEs. Training programme should be designed in such a way that it should help the participants to improve their
operational knowledge and skills. Similarly this programme will provide an interactive platform where the Govt., various financing agencies, bankers and IBEs can have a mutual understanding of the requirements of each other. Banks should encourage IBEs to adopt latest techniques in their working by providing certain incentives. It will go a long way in improving the overall financial discipline among IBEs.

(ii) The banks have been used to functioning in a rigid framework. They should adopt a flexible approach to bank lending. It is suggested that banks should adopt ‘Flexible Net Operating Cycle Method’ to assess working capital requirement of industries. It is also suggested that banks should adopt a ‘band width’ for various components of working capital cycle instead of a single number as recommended in Tandon or Chore committees.

(iii) It can be observed that the suggestions made in this approach have multiple uses. Most of the committees have insisted on bifurcating bank credit facilities into loan and demand components. The bifurcation suggested is at the most arbitrary. In case, banks prefer to adopt this method then the lower level of bank borrowings calculated can be considered as loan component. Lower and upper levels of borrowings calculated would vary from firm to firm. This would be a more scientific way if deciding bifurcation of bank lending.

(iv) There has been demand from IBEs that banks are to simplify their procedure and they should adopt a more open outlook towards their problems. It goes without saying that most of our IBEs are uneducated and as such they are afraid of paperwork. Banks should strive to simplify their documentation to a large extent.

(v) It requires structural changes at micro and macro levels. At micro level the applications forms should be simplified. Loan documents should be still simpler. However, this simplification has to be in tune with macro level changes in the recovery procedures. Government should legislate to simplify evidence act for bank loans. Production of revised simple documents should be sufficient. This would instill confidence among managers and facilitate quick disposal of court cases. In case recovery of bank loans can be treated as state revenue then it would create right atmosphere for recovery. Both, Bankers and borrowers would gain from such a procedure.

(vi) Most of the banks have a policy to transfer their officers all over India. Policy of transfer is good because one cannot allow a person to continue in a sensitive industry like ‘banking’ to remain at one place for long. A long stay at a place is bound to develop vested interest. However, our country has a unique problem of language changing after every hundred and odd kilometers.

(vii) It has been brought out in the study that bank managers feel more comfortable with educated IBEs. This may be due to better understanding of each others viewpoints. Same holds good for language too. A person feels comfortable if he could converse with another man in his own language. It may be better of the officers are transferred to same language area. This policy can be adopted at least up to middle level mangers. This should promote better understanding among banks and IBEs.
Industries in small-scale sector suffer from lot of inadequacies and inefficiencies. They do not have sound financial base. They lack necessary marketing skills. They suffer from poor quality of production, uneconomic scale of production, outdated technology and lack of standardization. On top of it they have to deal with inadequate infrastructure and tardy bureaucracy. They lack proper training and can ill afford to employ skilled workforce.

With so many handicaps do they have any hope of survival especially in the face of growing competition from multinational corporations? Problems are many and one has to think in a radically different manner.

Can we integrate the efforts of small-scale sector and find an institutionalized solution to their problems?

There are many positive developments taking place at macro economic level. Large corporate houses are able to raise money at much cheaper rate through Commercial Paper and Debenture Issue. Small-scale industries can organize themselves into a cooperative. This should take care of the following activities.

- Industrial Estate Development
- Power Generation
- Procurement of material
- Marketing of goods
- Arranging finance
- Liaison with different trade association.
- Research and development

This kind of organization structure could help all the members to avail the benefits of economy of scale, cheaper funds and a forceful platform to negotiate and liaise with different agencies.

Though the cooperative movement has not been a success story in many areas in India but success of ‘Anand’ if repeated for small-scale sector would be a major achievement for industrial development in the country.

The following relief and concessions are recommended to potentially viable sick so as to secure better financial management:

- **Rate of Interest.** The interest charged during the period from finalization of package till the actual implementation of the same may be funded. The rate of interest on term loans is to be reduced wherever necessary by not more than 3 per cent in case of tiny/ decentralized sick Units of IBEs and 2 per cent in other sectors, provided the interest rate so charged shall not be less than interest rate being charged in advances sanctioned under IRDP.

- **Financing of Cash Losses.** Since the Unit of IBE may continue to incur cash losses during initial stages of implementation of rehabilitation package, the cash losses excluding interest thus incurred by the Unit of IBE are financed till it achieves break-even point.

- **Sanction of fresh Working Capital Facility.** Need-based working capital facilities may be sanctioned at the rate of interest not exceeding 13 per cent.

- **Contingency Loan Assistance, Start-up Expenses.** For meeting escalation in the capital expenditure to be incurred under rehabilitation programme, the banks may provide, if considered necessary, contingency loans up to 15 per cent of the total cost of rehabilitation at the rate of interest charged on working capital limits. Similarly they can also provide for start-up expenses and margin for working capital requirements in the form of long-term loans.
Promoters’ Contribution. In case of tiny Units of IBEs, promoters’ contribution should be minimum 5 per cent of cost of rehabilitation (10% in case of SSI Units of IBEs). However, in case of decentralized Units of IBEs promoters’ contribution may not be insisted upon.