CHAPTER - 2

REVIEW OF LITERATURE

Introduction

A literature review may be purely descriptive in an explanation of earlier works and studies in the field of Small and Medium Industries at national as well as regional level. Many reviews may provide critical assessment of Small and Medium Enterprise of the literature in a particular field, stating where the weaknesses and gaps are, contrasting the views of particular author, or raising questions. Such a review will not just be a summary but will also evaluate and show relationships between different materials, so that key themes come into sight. Literature survey is a process of developing an insight into both conceptual and research-based studies available in the area and on the topic chosen. The objective of such review is to understand the importance of the topic and find out research gaps, if any, in the chosen area. In this study the review of literature covers the studies related to financial aspects, entrepreneurial growth and development, exports, technological innovations and marketing practices in Small and Medium Enterprises. This literature review is presented under the following classification.

1. Reviews related to financial aspects of small and medium enterprises
2. Review of entrepreneurship development, cluster development performance and growth aspects of SMEs.
3. Reviews related to marketing, business strategy and exports.
4. Review related to innovation of small and medium enterprises.

2.1 Reviews related to financial aspects of small and medium enterprises.

Vastava (1987)¹ made an attempt to study the financial assistance to small scale industries. He found that the agencies, which had mostly provided finance to SMEs, are IDBI, IRBI, (Industrial Reconstruction Board of India) SFCs and SIDCs. He collected data from four agencies relating to funds sanctioned and disbursed to various SMEs during 1981 to 1986. He concluded that the IDBI is playing a significant role in providing financial assistance to SMEs.

Ramesh (1991)² in his study on problems of small scale industries – Indian Banking today and tomorrow focused on the problems in augmenting financial
resources, limited capacity to raise equity, raising institutional funds, working capital augmentation, private borrowing and exorbitant interest rates, inadequate security base and market pressures, etc. He has concluded that the government should motivate not only new industries but also create mechanism for protecting the existing units. More liberal working capital funds should be made available to small units.

Sarma and Rajalingam (1991)\(^3\) made an attempt to focus on the effectiveness of bank financing to SMEs, with a view to evaluating the capacity utilization of industries to generate funds needed for repayment of loans taken from the banks. The purpose of the study was to examine the extent of bank financing to small scale units in Warangal district. The (authors had used the t’ test for measuring effectiveness and chi-square test for efficiency). They concluded that assistance from different financial institutions and commercial banks for working capital has been inadequate. The lack of short-term funds is a major hurdle to increasing the capacity utilization.

Sewakindar S. Grewal (1997)\(^4\) presents an integrated financial management model to explain the process involved in profit planning. He considered profit maximization and sustainable long-term performance as the desired strategic objectives of any well-run corporate enterprise. In this study opinion on analytical financial management framework can be established for achieving the twin objectives of control and profit planning in a corporate environment. For him interest coverage ratio is also an important parameter for measuring the profitability and health of the enterprise.

Dr. J.S Juneja(1998)\(^5\) studied on “Small and Medium Enterprises challenges and opportunities”. analyzes that ever since the launching of the planning era, Government of India has been actively supporting the promotion and development of Small and Medium Enterprises, as a part of its industrial policies and has been creating avenues in terms of institutional finance and providing technical support and marketing assistance, in actuality this sector has not received its due share of national resources, nor an adequate appreciation of its role in the Indian economy commensurate with its contribution to overall industrial output, employment and exports. For instance, in spite of several polices and measures to expand availability
of credit to Small and Medium Enterprises through term lending institutions (SIDBI, SFCs, SIDCs, NSICs etc.) and commercial banks (for working capital) the actual availability is hardly about 7 per cent of their total value of production by way of working capital against a desirable norm of 20 per cent fixed by the Government's high powered committee (Nayak Committee) and 55 per cent of fixed capital assets (against the norm of 75 per cent). The overall credit availability (both working capital and long term) is only about 13 per cent of production value. This, in fact, is at the root of the problem of Small and Medium Enterprises not being able to undertake modernization and upgradation of technology, which requires considerable amount of investment. The Small and Medium Enterprises attribute this to the unhelpful and indifferent attitude of management of lending institutions, and stringent norms and rules in regard to collateral securing and guarantees. The Small and Medium Enterprises, therefore, have to fall upon the money lenders relatives and other non-banking institutions for raising loans which quite often leads to sickness because of the high rates of interests and other conditions.

Kaveri (1998) made an attempt to analyse the issues concerning Financing of Small Scale Industries: Issues and suggestions bank finance to SMEs. The issues covered in the study were (a) quantum of bank credit, (b) time element in sanctioning the credit, (c) promoters' contribution, (d) Supply of information required for sanctioning the credit, (e) compliance with post-sanction formalities, (t) recovery from NPAs, (g) working of SSI branches, and (h) involvement of the government. The author sums up saying future credit requirements of SMEs would be high and increasing. To meet such requirements, both banks and borrowers have to sit together and work out appropriate strategies.

Ramakrishnaiah et al. (1998) have attempted to evaluate the role of Institutional Finance to SSI: Role of APSFC in Andhra Pradesh since its inception to 1995-1996. The study was analytical in nature, concentrating on the pattern of financing the SSI sector, examining year-wise, type-wise, constitution-wise, purpose-wise and region-wise credit sanction and disbursement in Andhra Pradesh. The data for this study have been exclusively drawn from the annual reports of APSFC. They find that the major form of loans extended to SSI sector were term loans only. Other
forms of loans, such as working capital, soft loans and bridge loans have not only been marginal, but also their share declined gradually over the years.

Sanjib Roy (1998) has undertaken to analyse the financial performance of the Indian tea industry. This study focused on the performance of the industry, especially on three areas: (1) cost of production, (2) price realization and (3) burden of taxation. Cost reduction is a planned and positive approach to reduce expenditure and the unit cost of tea. He suggested that, to reduce cost the company should improve the use of present finances, as they are outdated. This study revealed that price realization depends upon market forces of demand and supply. He made an attempt to study the financial statement analysis which represents the earning power of an entrepreneur, and ratio analysis which can measure managerial efficiencies. He concluded that there is no doubt that the ratio analysis forms an invaluable aid to the users of financial statements. Further, while high current ratio may indicate a strong liquidity position, excess inventory may mean efficient utilization of plant and machinery.

Mohan Reddy et al. (1999) have made an attempt to ascertain managing working capital, management practices in small scale industry groups. The data have been collected through personal interview method. The study universe consisted of 148 SSI units, out of which 30 constituted the sample. The authors suggested that partners/owners had no knowledge about working capital management techniques; they may hire the services of a trained person to look after the unit's financial aspects, more specifically for the management of working capital. Control over working capital can be exercised through the preparation of periodical working capital reports - at least once in a month.

BalaSubrahmanyam M.H (2000) has made an attempt to analyse the small industry demand for finance, which will be different in the twenty-first century as compared to the twentieth century, and the different dimensions of small industry demand for finance. The author categorizes the credit demand of small industry in two ways: (1) working capital demand, and (2) investment demand. His conclusion is that technology upgradation and modernization will be the most significant factors
contributing to the increase in investment demand from small industry in the twenty-first century.

**Sujatha Das (2002)** attempted to analyse the financial problems of small scale industries in Assam. This information was elicited from a sample group of entrepreneurs and a section of bankers operating within the Kamrup district of Assam. The author expressed that both the groups had problems.

1. Problems from the point of view of the entrepreneurs:
   a. Lack of working capital funds.
   b. Increasing interest rates.
   c. A number of formalities, documents and data submissions required for bank finance.
   d. The procedure for sanctioning loans by the SFC.
   e. Time lag between sanctioning the loan and its actual disbursement.
   f. Furnishing of security and guarantee a big problem for small entrepreneurs.

2. Problems from the point of view of the banker:
   a. Lack of proper maintenance of audited accounts
   b. Lack of proper project planning
   c. Sanctioned loans not properly utilized.

**Anilkumar and Garg (2002)** made an attempt to analyse the financing of small scale industries in Haryana by Haryana Financial Corporation. The study aimed at analyzing the trends in loans sanctioned and disbursed by the HFC to small scale units in Haryana during the post-reform period. Secondary data were used for the study, analyzed with the help of simple and trend growth rates. The researchers finally concluded that, most of the small scale units did not maintain an accounting system as desired by the Corporation.

**Noman Ahmad and Ashrafuzzaman Chowdury (2003)** had studied SIDBI's role in financing the SMEs. The small scale sector faces numerous problems such as finance and marketing. The analysis revealed that SIDBI has totally neglected the north-eastern region of the country.
Anbumani and Pradeep (2004) studied the financial structure and sources of finance for small scale industries of Coimbatore, an industrially advanced district in Tamil Nadu. The study was period 1993-2003. All the small scale units registered with district industries centers were included. They chose for this study 17 industry groups as per 2-digit classification of the NIC code of 1987. The study found that the main sources of finance were creditors, equity capital, reserves, surplus and borrowings from institutional as well as non-institutional agencies. This study depended on solvency ratios. The researchers found that the proportion of owner's capital in the total capital of the selected companies increased from 1993 to 2003.

Chawla and Batra (2004) attempted to analyse the financing practices and problems of small and medium enterprises. This study mainly focused on examining the pattern of finance and its utilization by the SMEs in Rwanda. Their sample was comprised of 50 SMEs operating in Rwanda. Both primary and secondary sources of data were used. The data was collected through structured interviews, unstructured interviews and documentation reviews. The objectives of this study were:

a) To examine the pattern of finance and investment in small and medium enterprises
b) To identify the financial problems faced by the small and medium enterprises
c) To suggest suitable measures and appropriate recommendations for such eventual problems.

For analysing the data tables, charts, rates, percentages and other statistical tools were used. The researchers suggested that the financial institutions, apart from giving loans and offering credit services, should introduce various financial services such as leasing and hire purchasing, factoring and venture capital so that the SMEs can have access to more sources of finance.

Rashid R. Pansare (2005) has undertaken a study on trends in financing the SSI sector in India. He found that 31 lakh SSI units existed throughout the country, majority (80.5%) of them proprietary concerns whereas 16.8 per cent were functioning as partnership and private limited companies. He concluded that finance to the SMEs was provided mainly by the commercial banks.
Prasain et al. (2006)\textsuperscript{17} attempted to analyse the financing pattern of small scale industries in Imphal East and West districts of Manipur State. The sample consisted of 101 randomly selected SSI units, selected through stratified random sampling with proportional allocation to both districts. The sample size was determined on the basis of a pilot survey. The sample size was collected on the amount of capital, borrowings and repayment of borrowings during June-September 2005. In view of the importance of financial management to the industry they had suggested researchers: (a) severe penalties may be levied on entrepreneurs found misusing the funds; (b) timely and adequate finance, depending on the opera cycle of the activity, must be made available to the entrepreneurs; (c) shortage of working capital being the main factor responsible for slow commencement of an industrial unit proper handling of this problem is very important.

Ramachandra Rao et al. (2006)\textsuperscript{18} studied the role of commercial banks in lending to the small scale industries. The study covered 97 scheduled commercial banks, excluding regional rural banks (RRBs). It examined the trends in sectoral allocation of both to the SSI sector vis-à-vis the non-SSI sector in the post-reform period. The result is that scheduled commercial bank loans to SSI have been falling consistently from arc per cent in 1992 to around 24 per cent in 2004. The researchers attributed this fall in per of loans to SSI to the high incidence of bad loans arising out of SSI advances.

Ashok Kumar Mohanty and Durga Mahapatra (2007)\textsuperscript{19} “Financing of Small and Medium Enterprises in India”. The book deals with the evolution and growth of developmental financial institutions and Small and Medium Enterprises sector in India. It also covers development of Small and Medium Enterprise sectors and the operational performance of Orissa State Financial Corporation (OSFC) during 1990-91 to 1999-2000. Orissa State Financial Corporation (OSFC) started functioning in 1957. The main objective of the corporation is to provide long term and medium term credit to Small and Medium Enterprise units for construction and modernization of plant and factory buildings, purchase of machines and other requirements. It also guarantees loans from Scheduled banks or State Co-operative Banks for a period of 20 years. It guarantees deferred payments for capital goods purchased by industries from within the country it undertakes the issue of shares and loans by industrial
concerns and meets foreign exchange requirements of Small and Medium Enterprise sector. OSFC also provides financial assistance for expansion and modernization of exiting units and rehabilitation of sick units.

OSFC had assisted basic and capital goods industries like Hotels, Electrical, Transport equipment, Chemical and fertilizers machinery etc. to the extent of 44percent, followed by services 37percent and traditional 19percent other SSI units receiving assistance comprised service and modern units like electrical, electronics, engineering, computers, plastic and polymers, glass and ceramic etc. It was found that financial assistance to no industry districts and backward districts taken together fell short of the assistance provided to developed districts. Hence, there is a need to make concerted effort by the corporation to enhance the assistance provided to backward and no industry districts.

K. Das (2007) made a study on “Small and Medium Enterprises in India, Issues and possibilities in times of globalization”. He also observes that it is relevant to the problem of the Indian financial system. There is no transparency regarding the financial conditions of Small and Medium Enterprises. Therefore banks hesitate to give loans to small scale units. There is evidence to establish that a fairly significant proportion of loans given to small enterprises in the past have compounded the problem of non-performing assets of banks. Unless fairly detailed information on small firms is available, banks would hesitate to take the risk and may prefer to lend to relatively larger firms to comply with regulation, thus leaving smaller firms significantly constrained for capital. Improving the quality of financial information is an important requirement for enhancing the flow of funds to the Small and Medium Enterprise sector, as the quality of information also influences decisions on loan finance.

Haselmann. R and Wachtel. P (2007) “Institutions and bank behavior NYU stern Economics” working paper finds in their study of 20 transition economics that foreign banks are more inclined to lend to Small and Medium Enterprises if creditor protection is strong. In order to strengthen the framework for tackling loan defaults and contract enforcement, India enacted the securitization and Reconstruction of Financial Assets and enforcement of security interests
Securitization and reconstruction of financial assets and enforcement of security interests (SARFAESI) Act in 2002. The Act empowers secured creditors to foreclose and enforce securities in case of default, without intervention of a court or tribunal, and has also created an enabling framework for asset reconstruction companies and securitization in general. New bankruptcy legislation was enacted in 2003. There are several asset reconstruction companies and along with other banks and institutions. SIDBI has set up a separate asset reconstruction company focuses on asset recovery of Small and Medium Enterprise non-performing loans. The SARFAESI Act and the consequent strengthening of the legal environment should enable an increased flow of credit to the Small and Medium Enterprise sector.

Kondaiah, C. and G.U.K.Rao (2007) in their article, "Indian SMEs in Global Value Chain - New Initiatives, review the new policy initiatives focusing on integration of small and medium enterprises with global value chain, and appraise the strategies being pursued in recent years for accelerating the growth of SMEs, and enhancing their competitiveness. The growth of SMEs depends on formulating the right policies and taking the right initiatives that are need based, and making their presence felt in the global value chain. SMEs should continue to strengthen their competitive character by creating opportunities afresh for sustained growth in the changing business environment. Despite competition from large firms, SMEs certainly have the possibility to enter the global value chains, provided they adapt to the market shifts. SMEs can gain entry into larger avenues, expand their markets, and find new niche markets for their products, and become strongly visible in the global arena. Gainful participation in the global value chain can be used as a strategic measure for SME development.

Ghosal, S.N. (2008) in his article, "Small and Medium Enterprises need Innovative Financing Model," has examined the strategies pursued in India for financing small and medium enterprises (SMEs), compared it with the measures followed in a few other countries, including Europe and USA, and suggested an innovative strategy model for India. An in-depth study of SMEs brings out the need for revision in approaches. The most effective model for giving SMEs a boost is by creating private — public partnership between the small and medium enterprises.
Carbo, Rodriguez and Udell (2008) in the book “Bank lending, finance constraints and Small and Medium Enterprises investment”, argue that the issue of bank competition and credit availability may matter most to Small and Medium Enterprises for two reasons. First, Small and Medium Enterprises are more vulnerable to information problems. Second, Small and Medium Enterprises are much more bank-dependent than large enterprises. Carbo et al., (2008) study of a large number of Spanish Small and Medium Enterprises suggests that constrained firms with restricted access to the bank loan market may turn to the trade credit market to exploit their investment opportunities, while unconstrained firms would turn to the bank loan market. Additionally, they analyze the supply side of the trade credit market by testing whether the extension of trade credits is sensitive to bank lending. They find that there is a significant sensitivity of the extension of trade credit to bank lending for unconstrained firms, thereby, suggesting that these financially unconstrained firms may act as lenders due to their easier access to a less costly source of funding (bank loans). Among firms of different sizes, Small and Medium Enterprises are generally more flexible adapt themselves better, and are better placed to develop and implement new ideas.

Namasivayam and Ganesan (2008) made an attempt to analyse the financing of the SSIs by the commercial banks operating in Madurai district under the lead bank scheme. The performance scores of loan grants to SSIs by the commercial banks were obtained by using Friedman's test. The results indicated that there was no significant difference in the performance of commercial banks of different classifications operating in the Madurai district in lending to the SSIs during 1998-99 to 2004-05. The performance scores revealed that the State Bank groups have exhibited a high range of performance score (50%), indicating a high record of achievement in finance when compared to its target, followed by the nationalised commercial banks (49%), and private sector banks (33%).

Brij Raj (2013) Challenges in SME Financing: Developing Alternative Financing Sources represents that only 5.18 per cent of units had availed of finance through institutional sources, about 2.05 per cent from non-financial sources and the majority of units i.e. 92.77 per cent had not finance or depended on self-finance. Further Indian School of Business Hyderabad has shown that a large chunk of the
financing for SMEs, over 50 per cent by some estimates, come from non-bank, non-market sources. This alternative source of finance can be very important for the growth and development of SMEs. Bank credit is very little alternative source of finance to SMEs, a market system of financial intermediaries holds a great promise for the millions of small and mid-size businesses in India. The financing of trade credit is an important source of financing for SMEs. Other alternative finance options such as securitization of SMEs credit, supply chain financing, factoring, accessing equity capital from SME exchange, portal, venture, risk capital, cash flow based financing etc. play a catalytic role in improving access to funding for SMEs. The need of alternative financing for commensurate with the economic activity of SMEs by financial institutions or non-financial institutional corporations, like internal source, equity, debt, Banks and Financial Institutional, group corporations, promoters, trade credit etc.

Jagannathan R (2014) Chief editor of A First biz-Greyhound Knowledge Group Initiative for the purpose of survey to look at the challenges faced by small and medium enterprises (SMEs), which are India’s most important sector from the perspective of employment and growth. It is also India’s most challenged sector. Survey, highlight some of the key issues that hinder or help India’s SME sector. India’s new central government, headed by Narendra Modi, has promised to make business a less shocking process for entrepreneurs. According to the latest reports by the SMB Chamber of Commerce and the Ministry of Micro, Small and Medium Enterprises, India currently has more than 48 million SMEs. These SMEs contribute more than 45% of India’s industrial output, 40% of the country’s total exports and create 1.3 million jobs every year. Yet, these SMEs continue to struggle on multiple accounts. While some are challenged by credit and finance issues, others are struggling to cope with stringent regulatory environments. This report dwells deeper into many such challenges and also highlights what these SMEs expect from the upcoming Union Budget in July 2014. Numbering over 48 million Indian SMEs have grown at a stable pace of 4.5% in the last 5 years. According to the latest Annual Report issued by the Ministry of Micro, Small and Medium Enterprises, there are over 6,000 products, ranging from traditional to high-tech, which are being manufactured by the MSME sector for domestic as well as international markets. According to the latest Economic Survey, Indian SMEs employ close to 40% of
India’s workforce. After the agriculture sector, SMEs rank second in fostering employment opportunities. Over 3.25 lakh jobs were generated in the SME sector during the period between April 2011 and February 2012. On an average of 92%, enterprises from smaller towns are expecting higher monetary support.

2.2 Review relating to entrepreneurship development, cluster development, performance and growth aspects of SMEs.

Gopal Joshi (2001)\textsuperscript{28} conducted a study on Entrepreneurship Development for SMEs in the 21\textsuperscript{st} Century, Journal of Productivity emphasizing the prevailing the dynamic business scenario demands a relook at categorization of SMEs. The study analyses the job creation potential, growth orientation and likely scenario in the coming years, of SMEs in the changed context. Due to ICT, the ability of Small Enterprises to reach the markets behind their own geographical proximity and the ability to source information and inputs have transformed what used to be traditionally considered small. Product innovation aggressive marketing, productivity improvement can come about only if the complacency caused by protected market is removed. Public concern regarding environment, working conditions and workers’ rights as well as child labour would require the sources in the supplying enterprises to observed business ethics.

Padmanand. V and Mukesh Gulati (2006)\textsuperscript{29} in their publication, Interventionary Instruments for Cluster Development - A Handbook, present the modalities of implementing the cluster development programme for micro and small enterprises (MSEs) in the Indian economy. A large number of initiatives for development of clusters of manufacturing micro and small enterprises are currently in progress in the country. These are being pursued through a catalyst - cluster development agent (CDA). The CDA tries to encourage and develop a co-corporative approach to doing business, perhaps among small networks of these MSEs at first, and then across the cluster, as confidence levels grow. The process is expected to evolve leading to mutually beneficial interface between the cluster and the market. This interface may take many forms: loose consortia of the MSEs to pool procurements, more formally structured special purpose vehicles (SPVs) to source technology, machinery, business development services (BDS) like design, packaging, better management practices skill upgradation of workers and artisans,
etc. The experience of cluster-based interventions in India has been mixed; some have succeeded remarkably, well while others are yet to make a significant impact. For this purpose, it is necessary to recognize the attributes of the intervention tools and priorities them in consultation with the cluster enterprises. Without such consensus among cluster enterprises, prioritization of intervention tools cannot become need based and sustainable, nor can enterprises help build social capital, and an autonomous governance framework among cluster actors.

**Kulkarni, P.R.(2008)** in his study, "A New Deal for Small and Medium Enterprises in India", presents a thought provoking strategy for extending a helping hand to accelerate the pace of development of small and medium enterprises, particularly in the context of the international economic scenario of high level of competition. The author visualizes bright future for the sector after the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act in June2006. The author questions the rationale of repeatedly redefining SME son the same age-old investment parameter, and suggests broadened horizons of thinking as well as actions from the public and private sectors. The protective shield provided by the government to SMEs in the country is no longer there, and this sector has been preparing to sail into uncharted waters at the international level. When automation, technological upgradation, and modernization are the new sustainability norms, Indian SMEs should be recreated with new policies to face the present day challenges. One of them is to revise the existing definition from investment criterion to work force criterion. The study advocates effective use of the thrust areas of SME sector such as technology upgradation and modernization, growth center strategy, cluster approach, technology-oriented entrepreneurship, and business development services. Business development services include training, consultancy services, marketing assistance, counseling for export promotion, technology development and transfer, and business linkage promotion.

was taken for getting responses of entrepreneurs. The enterprises covered are 98 in manufacturing, 82 in services, and 20 in trading. The states covered are Andhra Pradesh (80 enterprises), Delhi (30) Gujarat (30), Maharashtra (30), and Tamil Nadu (30). Statistical tools used in the study are: mean, median and standard deviation, correlation coefficient ANOVA, regression, and cluster analysis (using k-means method). For exploring entrepreneurial propensity, and self-gain the ratings of 250 shots were taken from MBA, B.Tech. And polytechnic courses in Andhra Pradesh. Inter alia, the study covered the following objectives: (1) to assess the contribution of four entrepreneurial attributes, namely, industry knowledge, streets smarts, tolerance for ambiguity, and impact of personal selling on entrepreneurial success; and (2) the propensity of individuals to start and operate a new small business. The findings of the study supported significantly that tolerance for ambiguity and impact of personal selling on entrepreneurial success contribute to entrepreneurial success to a moderate and marginal level, respectively. The remaining two attributes, industry knowledge and streets smarts were found to be insignificant with respect to their contribution to entrepreneurial success. Another important finding of the study is that self-gain influences entrepreneurial propensity in the positive direction. Apart from individual entrepreneurs, policy makers and extension agencies in the field of SMEs; others, who can benefit from the study are entrepreneurship educators, venture capitalists, and researchers in enhancing their effectiveness in the areas of assessment, training and behavioural research.

Mishra, S.K. (2008) in his study on "Potentials of Village and Small Enterprise Sector in the North Eastern Region of India", points out that the village and small enterprise (VSE) sector has not only tremendous potential for development in the North Eastern Region (NER) of India, but also suits rural industries. In this region there are natural resource endowment, human resources, and sociological environment. The sector also provides great scope for women empowerment, and thus, reduction in gender-based inequalities in the society. The article examines the prospects and constraints of development of the VSE sector in the NER.

success among start-ups is one of the topics on which very few in-depth studies have been made. Furthermore, these studies have been exploratory in nature and adequate empirical evidence has not been provided, especially in measuring entrepreneurial success. Current literature on entrepreneurial success emphasis the role of entrepreneurial attributes as the primary factor for the success of start-ups.

**Hyderabad, R.L. and S.G. Vibhuti (2008)**\(^{34}\) in their study on "Regional Disparities in the Development of Industrial Estates in Karnataka: A Case Study", evaluate the implementation of the industrial estates programme in the Northern Karnataka region covering eight districts, namely, Dharwad, Uttar Kannada, Belgaum, Gulbarga, Raichur, Bellary, Bijapur, and Bidar, and bring out suggestions for the effective implementation of the programme to ensure balanced regional development. Their study relies heavily on published data available from the Karnataka State Small Industries Development Corporation (KSSIDC) which has developed the estates, and critically looks at the developments in relation to the objectives of the programme, and benefits accruing to the region and the people in general. Comparative analysis approach was used for the study. The yardsticks used for evaluation are: number of estates developed, number and nature of industrial plots and sheds developed, development expenditure incurred, quality of infrastructure facilities provided, nature of units established and their ownership structure, financial assistance provided by the state financial corporation, and occupancy rate of sheds and plots. A sample of 25 per cent of the units (414 small enterprises) was selected in four major districts of North Karnataka to elicit opinion on the availability and quality of infrastructure developed.

**Hitendra Bargal, (2009)**\(^{35}\) Says the role of small-scale industries has always been supported in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco-system and decentralization etc. The other arguments in favour of this are making provision for self-employment and capital formation. Study of SSIs has received many responses from various economists. The performance of the small-scale sector has a direct impact on the growth of the overall economy in terms of number of units, production, employment and exports. It may help to understand its role in the economic development of the country.
Lois Stevenson (2010) in his study on SME and Entrepreneurship Challenge in Private Sector and Enterprise Development focused on the role and importance of SMEs in private sector development, its prevalence, employment and self-employment, prevalence of women owned SMEs, barriers to development of SMEs and policy issues. To alleviate the barriers faced by SMEs, there is a need for simplification of business registration, licensing processes and customs procedures, improved access to external financing, upgrading of technical and management skills, know-how and technology, quality improvement in production systems and products, greater access to information and markets and stronger linkages with larger enterprises.

K. Ravindra Gowda and A Shivakantha Shetty (2010) in his study on SMEs Contribution to inclusive growth and employment opportunities in India focused on the major growth drivers of the economy, the biggest challenge before the SMEs in the emerging market scenario is not only to survive but to grow on a sustainable basis with competence. Technology development through either technology transfer or innovations is inter-firm linkages should be emphasized in the light of global competition. In the context of economic reforms and globalization the small scale industries must be competitive for their survival and growth. Otherwise, they will perish resulting in colossal waste of scarce resources, unemployment and retard the process of industrialization.

Chitra Devi, (2011) Discussed that the small and medium enterprise the plays the major role in the uplift of the women in the Indian economy and provides the employment opportunity which brings the idea and capabilities in the growth of the SS1. This paper helps study role of Government to provide the skills and ability to uplift the women entrepreneur in small scale sector in Chennai city, the major finding involve that the government raise the funds in promoting women entrepreneur and induce the women to participate in many promotional activities.

VijayaBharathi, (2011) Studied that every country tries to achieve maximum economic development. The economic development of a country to a large extent depends on human resources. But human resources alone will not produce economic development, there must be dynamic entrepreneurs. The entrepreneurs
perform vital functions in economic development. The entrepreneurship plays a premium mobile role in industrial development. The industrial development through the medium of small scale units is initiated and nurtured by entrepreneurship. The entrepreneurship influences the process of industrialization. The Government therefore is providing much thrust to entrepreneurship to generate employment. Hence, the present study is an attempt to know the socio economic conditions, factors influencing entrepreneurship and the problems faced by the entrepreneurs in developing their enterprises particularly in Krishnapuram Village, Kadapa, and YSR district of Andhra Pradesh.

VaniPriya, (2011)\textsuperscript{40} Says the small scale industry is widely recognized as a powerful instrument for socio economic growth and balanced sectoral development. One of the distinctive characteristics of small scale sector is that the development of these industries would create broader employment opportunities assisting entrepreneurship and skills development and ensure better use of scarce financial resources and appropriate technology. Furthermore, they can play a main role in achievement of national economy and socio political objectives, the gestation period is very short and they need small amount of capital to start. I also help in the dissemination of production capacity unlike the large scale industries which tend to concentrate in a few hands. This apart, establishment of such industries in rural areas and small towns helps to check the influx of population into bigger towns. A rewarding feature of economic development in India has been the impressive growth of modern small scale industries. The small enterprises have by now established their competence to manufacture a wide variety of sophisticated goods in different product lines requiring a high degree of skill and precision.

Rajaiah K and Sivasankar P.R (2012)\textsuperscript{41} emphasized on micro, small and medium enterprises are playing important role in the economic development of India, contributing 8 per cent to the GDP, 45 per cent to total output and 40 per cent to exports. The sector provides employment to 600 lakhs persons. It has to face several challenges in respect of technology and market competitions in the context of globalization and liberalization of the Indian economy. To overcome the problems like marketing, finance, skilled labour and infrastructure, the government of India has
been taking measures for its growth and development since 2006. In this study, the growth and development of MSMEs in India is examined.

Vidya Suresh, (2012) discussed the Small-Scale Industries (SSI) gathered momentum along with industrialization and economic growth in India. It started growing due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a sustaining sector in the form of small-scale enterprises. Being a labour-intensive sector, they offer a higher productivity of capital than capital-intensive enterprises due to low investment per worker. The SSI today constitutes a very important segment of the Indian economy as they help in dispersal of industries, rural development, and the decentralization of economic power. The central discussion of this paper highlights the importance of small industries and their role in the economy and the impact of economic reforms on growth pattern and productivity performance of small-scale industries. However, this is not to say that there are no shortcomings within the industry, or in public policy relating to it. Small industries are faced with numerous problems major and minor, which make them either uncompetitive, or sick. An attempt is made to address some solutions that can improve their productivity by focusing a sustainable vision.

Bilal, (2013) says the small scale industries have been considered as the engine of economic growth and promotion of equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the small scale industry (SSI) sector is much higher than that of the large enterprises. The role of small industries in the economic and social development of the country is well established. The sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. The paper concludes that besides the growth potential of the sector and its critical role in employment generation of Jammu and Kashmir (J & K) state. It also contributes to the Gross State Domestic Product (GSDP) that is, it contributes 12.55% to GSDP. The study is significant in the sense that the state of Jammu and. Kashmir is relatively a backward region of the country both economically and educationally and thus the paper presented a good setting for investigation to know about what is the performance of SSIs in J & K and how some sort of self-employment and income have generated SSIs and what are the challenges that these industries face.
2.3 Reviews related to marketing, business strategy and exports

Jethra, B.D.(2000)\textsuperscript{44} in his article on "Export Orientation to Small and Medium Enterprises (SMEs)," examines the performance of SMEs in the liberalisation era from 1991 up to 1998-99, and the growth of exports from micro and small enterprises, in relation to the growth of total merchandise exports of the country from 1971. Product group—wise exports are given during 1990s up to 1997-98, indicating the share of SSI sector to total exports in each product group. The author points out that while the SSI sector contributes about 40 per cent of gross value of production of the manufacturing sector, exports from the sector account for less than 10 per cent of its production. Another revealing finding is that only five product groups account for bulk of exports from the SSI sector. These are readymade garments, engineering goods, basic chemicals, and chemicals and allied products, leather products, and processed foods. The author suggests that diversification of the export base and acceleration in exports is very necessary to enhance the contribution of the SSI sector to the national economy.

Robert J. McIntyre (2003)\textsuperscript{45} made an attempt on Small Enterprises in Transition Economies: Casual Puzzles and Policy- Relevant Research which focuses market realities and free market ideology, the complex causality of SMEs success and failure, the SME role in emerging market economies, advantages in developing market economies, effects of emerging of a large unofficial economy also raises serious concerns which on balance dominate. The absolute predominance of micro enterprises, low capitalization in the SME sector and retains an irrational structure. In the majority of transitional countries entrepreneurs avoid the form of production which demand significant investment. Most entrepreneurs stated that starting a manufacturing business is equal to suicide, since the chances are negligible that anyone who wants to produce new value will be able work profitability in the long run.

Sardana G.D (2004)\textsuperscript{46} this study explores the several strengths and weakness of SMEs. SMEs are mostly family owned organizations operated by entrepreneurs who are not exposed to management education. Globalization and the liberal trade policies permitting on restricted imports as ushered in a customer driven market. The subsidies and state protection to the small industry has been withdrawn. The industry
has to defend and save its existence. However, explosion in knowledge based industry and service sector has created, simultaneously, new opportunities. Many of these challenges are best suited for the strengths of the small scale sector. These strengths lie in low costs, high responsiveness’s to customer needs, flexibility, and high motivation of employees. Lack of finance and deficient controls on receivables are major weaknesses.

Nagayya, D. (2006) in his article, "Development of Small and Medium Enterprises in Andhra Pradesh", presents the small and medium enterprise scenario at the national level, reviews the progress of the sector in Andhra Pradesh district-wise, presents incentives for industry in the state, and indicates the directions for the future with reference to Andhra Pradesh from an all India perspective. District-wise data presented are in terms of number of units, fixed investment, and employment for five regions - Hyderabad region, rest of Telangana, Rayalaseema, North Coastal Andhra, and South Coastal Andhra.

The typical feature noticed in regional analysis is excepting Hyderabad and North Coastal Andhra regions; growth in the other three regions is low, compared to the state average. Major cities and growth centers have grown faster. Growth in Rayalaseema and rest of Telangana is slow, compared to the advanced districts of the State. Greater encouragement is needed to accelerate the process of dispersal of industries. Cluster development needs to be pursued vigorously. The 2005-10 Industrial Policy of the State focuses on creating quality infrastructure, incentivising investments, building competency among different groups of entrepreneurs including women, quality competitiveness, export promotion, environment- friendly climate, etc.

Emerging and high value added product lines need to be energised. These include drugs, pharmaceuticals, information technology (IT) and IT enabled services, and business process outsourcing, bio-technology, nanotechnology, leather, textiles, garments, electronic hardware, and telecommunication equipment, agro and food processing, and mineral based product lines, gems and jewellery, apparel parks, etc. Innovation, research and development, quality upgradation, and aggressive creative marketing strategies reflect the demands of future periods.
Sardana, G.D. and S.W.S.B. Dasanayaka (2007) in their study on "SMEs: a Comparative Analysis of India, Pakistan, and Sri Lanka", present the profile of small and medium enterprises (SMEs) in the three countries of the South Asian region; indicate the constraints faced by the sector in its growth because of the problems relating to both product and factor markets; and review the initiatives taken by the respective governments. The review points out that in spite of various policy reforms, incentives, and assistance offered by the successive governments in the three countries, with the involvement of the private sector, non-governmental organisations, and donor agencies. SME sector continues to suffer from many handicaps and problems while competing against large scale enterprises. Lack of institutional support and policy inertia has further reduced the potential contribution of the sector to the national economy.

The specific promotion of SMEs came to light in India with the establishment of Small Industries Development Organisation (SIDO) in 1954 (This is now known as Micro, Small and Medium Enterprises —MSME-Development Organisation); in Sri Lanka in 1956 with the setting up of the Industrial Development Board (IDB); and in Pakistan the interest explicitly started in 1998 with the setting up of the Small and Medium Enterprise Development Authority (SMEDA). There is a clear heavy bias in favour of large enterprises, although the national interests for poverty eradication, and providing jobs to millions, demand focused attention to the SMEs. The constraints of SMEs brought out in the article relate to finance, marketing, technology, infrastructure, government apathy, and management of the enterprises. The success of the enterprises can be realised only with the exploitation of strengths and opportunities arising out of the World Trade Organisation (WTO) trade policy environment. Initiatives need to be taken for enhancing the competitive strength of the enterprises by the enterprises themselves as well as by the governments. Governments should be pro-active to assist SMEs to become globally competitive through an entrepreneurial culture committed to sustainable growth.

Shambu Singh (2007) in his study, "SMEs in Competitive Markets", presents the results of an empirical study on the role and adaptation of SMEs under the changing industrial structure in India, based on a survey conducted by the Small Industries Development Organisation, by interviewing selected enterprises as well as
through mailed questionnaires to 570 SMEs from all over the country. The survey was carried out in 1999 and 2000. In line with the objectives of the study, SSIs did not conform to the general trend of investment observed in the SSI sector, since the angle had to be towards units with higher investment and turnover, and to that extent the results are slightly skewed. Ninety five per cent of SSIs operate at the lower end of the investment spectrum, while the majority of exporting units are in the higher investment category. Even micro units export, some directly; and others through merchant exporters. Some produce for other brands for direct exports by the brand-owning units.

**Arjun Kumar, (2012)** says the importance of Small Scale Industries (SSIS) is such that their development is concomitant with the balanced growth of Indian economy. Small, Medium or Large scale industries prospects depend upon how well they market their products in the dynamic competitive markets. So with the importance of marketing management in small scale industries increasing and sell the products effectively in the markets. In other words, effective marketing of small scale industrial products would ensure higher levels of income, consumption, and employment which increase the standard of living of the people. Marketing is demanding greater attention not only from industrialists especially of the small scale sector but also from our planners and economists. This empirical study covers the socio-economic conditions, marketing strategies of SSIs and identifies the marketing problems of SSIs. The aim of this is to generate the awareness to the SSIs regarding the blind spots in marketing of their products.

**NallaBalakalyan Kumar and Sardar Gugloth, (2012)** Analyzed that the aim of the to evaluate the presentation of MSMEs, before and after liberalization contrast them with average annual growth rates and know the impact of globalization on the performance of MSMEs and the development of MSMEs new opportunities for Employment in a country. The period of the study is 1999-2010 and based on secondary information. The MSMEs form a leading part of Indian industry and causal to a momentous proportion of production, exports and employments. The present study analyzes the collision of globalization on Indian MSMEs. The Government programmes are unstructured and indistinct and fall short of delivering the intended outputs. This necessitates the enterprises to think strategically by focusing on major
issues. The prime intent of the study of policy recommendations is to ensure the sustenance and competitive growth of MSMEs in India. He focuses on the ongoing changes in the business environment and the analysis of their suggestion for MSMEs and further he focuses on the implication of globalization and domestic economic liberalization for MSMEs and analyses its intensification performance. The MSMEs has emerged as the most dynamic sector of Indian industrial economy.

2.4 Reviews related to innovation of small and medium enterprises.

According to Hoffman (1998)52 Small and Medium Enterprise innovations are more likely to involve product innovation than process innovation (which is important nonetheless). However, introducing new, improved, and high quality products was the most important objective of Small and Medium Enterprise innovation. The vast majority of empirical studies on innovation in Small and Medium Enterprises have not covered the link between innovation practices and firm performance. A survey of studies pertaining to UK, found that on balance, internal factors are likely to be more important core determinants of whether innovation plays a key role in success or failure than are external factors. By and large, these studies underlined the importance of both internal and external factors as the driving forces of innovation.

Danneels and Kleinschmidt (2001)53 in the context of new product development argued that it consists of bringing together two main components such as markets and technology. According to them, product innovation requires the firm to have competences relating to technology (enabling the firm to make the product) and relating to customers (enabling the firm to serve certain customers). These studies strongly indicate that neither internal competence of the firm nor customer requirements alone will drive a firm to undertake innovations. Innovation will emerge only when a technically competent firm is able to identify and respond to customer requirements by developing and improving products in processes. Small and Medium Enterprises necessarily engage themselves in product innovations or process innovations. In practice, Small and Medium Enterprises might undertake: (i) only process innovations in the form of material substitution, change in technical process of manufacturing, etc. to achieve cost reduction or quality improvement or (ii) only
product innovations in the form of changing product shapes/dimensions/sizes or introducing improved or new products, or (iii) both.

V.P Kharbanda, (2001) in his analyses of a study focused that the Financial institution providing assistance to technologies development in SMEs in developing countries. One of the important ways of this study is to promote access to new technologies among SMEs in developing countries is to provide venture capital, which in a way helps in indigenous development of technologies. Financial institution such as Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), State financial corporations (SFCs) and banks are providing assistance for commercialization of indigenously developed technologies and adoption of imported technologies for wider domestic applications through venture capital companies. A large number of small innovations are also being supported by the Society for Research and Initiatives for Sustainable Technologies and Institutions (SRISTI) venture capital fund. One of the main factors of the success of Knitwear cluster at Tirupur is the state intervention in the supply of short term credit to facilitate networked production. It also emphasized that an effective technological capacity building exercise enhances competitiveness of SMEs.

S. Raghunath (2001) in his study on Managing Inter-organizational Alliances: The Challenges for SMEs, Journal of Productivity focusing the world of business is changing rapidly. The winds of globalization have pushed SMEs to grapple with the changing needs of their customers. Large enterprises view on SMEs has surrogates or satellites that would rotate around them seeking revenue and possible profit. The SMEs story of maintaining few customers and depending on them for major chuck of the business is gradually undergoing an overall perspective change. SMEs should possess the ability to get the organization to innovate quickly and produce an acceptable product and service to capture upcoming business opportunity. The rules of competition in the domestic industry will demand organizations built on change, not stability organized around a network of alliances, not a rigid internal hierarchy, and built on technological advantage, not on land and buildings.
Engel et al. (2004)\textsuperscript{56} similar to Roper, found that sales turnover of innovative firms grew faster than that of non-innovative firms. They detected a significant relationship between the share of innovative sales and sales turnover change of firms. The study has explicitly focused on probing the relationship between innovation and growth in the context of Small and Medium Enterprises of craft dominated industries in Germany and high tech sectors in the USA, respectively. The estimation results, based on a profit model, emphasized a positive impact of innovation output on the sales turnover change of Small and Medium Enterprises. Innovative sales secure small firm’s market position and offer some opportunities for growth.

Coad and Rao (2008)\textsuperscript{57} probed the relationship between innovation and sales growth for incumbent firms in high tech sectors. A firm, on average, might experience only modest growth and may grow for a number of reasons that may or may not be related to innovativeness. But using a quartile regression approach, they observed that innovation is of crucial importance for a handful of ‘superstar’ fast growth firms. However, all of these studies are related to industrialized countries and therefore their relevance to an industrializing country like India might be questioned. The two empirical studies on Indian Small and Medium Enterprises conducted in this decade have significant relevance. The first one was confined to Karnataka state in India, which covered 648 micro enterprises on a sample basis and 1358 small scale enterprises on a census basis across all industries in the manufacturing. To put the research problem in the right perspective, we propose the following theoretical framework. There are four primary issues concerning innovation and growth of Small and Medium Enterprises: (i) driving forces, (ii) dimensions, (iii) achievements, and (iv) outcomes.

Internal factors could be self-motivation, technical education background, work experience, and innovative ideas of entrepreneurs. On the other hand, external factors such as customer requirements, information given by suppliers of equipment’s/materials, market opportunities, availability and accessibility of institutional support, economic incentives, competition, etc. might also prompt some entrepreneurs to undertake innovation. However, for a successful innovation to emerge a combination of both internal and external factors may be required.
Firms might focus on the development of new products with either old or new technology, or on the improvement of existing products by changing the shapes/designs or on quality improvement and cost reduction through substitution of raw materials, etc. If innovation is successful, whether new products or improved products emerge due to product or process innovations, the share of such innovated products is likely to increase in the total sales of the firm. If this happens, such firms would be able to achieve growth in their sales turnover, investment and employment resulting in the growth of firm size.

M.H.Balasubramanya (2010) made a study on Auto SMEs in Bangalore: Does innovation Promote Employment and Labour Productivity emphasizes the influence of technological innovation on employment and labour productivity growth of a sample of 72 small and medium enterprises in the auto component sector of Bangalore. Innovative SMEs engaged in both product and process innovations, could achieve a considerable increase in their sales and employment during 2001-02 to 2005-06. He high turnover rates of employees, comprising largely skill and unskilled workers with marginal presence of technical employees, the incremental nature of innovations and significance of employment growth, innovation did not have a positive impact on labour productivity growth. An upgrading the quality of innovations, adopting strategies to retain the trained technical or skilled labour and undergoing training in innovative management to optimally employ factor inputs are suggested to enable SMEs reap productive benefits from their innovations. The productive growth of SMEs out of their innovations as well as to achieve a healthy growth as a part of the overall automotive industry will reach the levels of the global market.

Burman KK and Biswajit Das (2011) The present status of Micro, Small and Medium Enterprises (MSMEs) in Assam- An Economic Analysis, which analysed about a growing economy with a highly diversified MSME sector requires innovative solutions relating to its credit delivery mechanisms, efficient infrastructure facilities, institutional support, adequate supply of raw material and human resources for entrepreneurship. The study on the present status of MSMEs reveals that there has been an unequal growth of the number of enterprises production values, employment and investment in Assam. Micro Enterprises sector is growing faster than the SMEs
in terms of registered units, value of production, employment and investment trends. There is a great prospect of industrialization in Assam if the central and state governments adopt proper integrated policies from economic and political ground. Besides, active participation of local people and lots of other organizations should come forward to develop new enterprises. A good number of MSMEs development products may be launched and suitable investment friendly climate should be created in the state. Adequate electric power facilities, research and technological development facilities might encourage entrepreneurs to improve industrial scenario of the MSMEs of the state and natural resources should be utilized properly to achieve growth, sustainability and to increase states welfare.

Ana Arroio and Mario Scerri (2014) has focused on important parallel in the development of new small and medium business and new farms of innovation, production, commercialization of goods and services. These firms have the potential and flexibility required to capitalize on emerging technological and other opportunities for growth, as well as the fact that they do not offer the usual resistance to their incorporation, mainly because they are tied down by patterns that are being superseded. Second challenge faced by most countries in achieving economic growth, difficulties that increased significantly in the transition to the millennium, intensified the search for the means to particularly through the promotion of the creation and development of Small and Medium Enterprises. The third, the increase in economic and social inequalities between countries and regions, both more and less developed as shifted the policy focused towards the promotion of less –favoured nations, including the promotion of the small firms. That in many cases comprised the basis of local economies. The BRICS countries has persuade specific strategies to enhance the growth of SMEs, their chances of survival and support intuitions that provide business, technological and other development services. Innovation polices have targeted the promotion of agglomeration of firms, incubators and science and technology park.

2.5 Research Gap

The present study focuses on Small and Medium Enterprises development through Karnataka State Financial Corporation. Good numbers of studies have been conducted relating to the present study but many studies have not covered the specific
objectives which are the focus of this study. It is found that there are no studies carried out in Bangalore urban district similar to the present one. Some of the studies have stressed upon technological innovation for SME growth, SMEs and the role of Clusters and Marketing strategies of Small and Medium Enterprises. These studies have not covered the financial aspects and the role of Karnataka State Financial Corporation for the development of Small and Medium Enterprises. In this work the attempt has been made to study the role of **KSFC in the development of SMEs in Bangalore urban district of Karnataka**, examining the production, income and employment generation in SMEs and investment and export performance. Moreover, these studies do not focus on the emergence of the new units, employment generation and capital invested particularly through the Karnataka State Financial Corporation. The macro studies either generalize the role of financial institution for the growth of SMEs or financial requirement of the SMEs. Hence, the microscopic study helps to critically assess the role of KSFC to modify the policy issues of KSFC in direction with the required aid to SMEs. Therefore the present study will concentrate on emergence of the new units, employment generation and capital investment, exports and income in Small and Medium Enterprises through KSFC.

**References:**


