at the rate of 05.9 per cent and 09.1 per cent per annum respectively. Whereas the trend value of collection on an average is decreasing at a rate of 02.7 per cent per annum. The compound growth rate was found high in balance (9.6 per cent) during the period under study followed by demand (6.1 per cent) in Theni district.

4.7 Summary

The share of the small scale industries advances made by the State Bank of India to the public sector banks ranged between 25.65 per cent and 41.28 per cent in India. It is found that the share of the SSI units advances to the total priority sector advances varied from 39.10 per cent to 54.48 per cent during the period under study. In Tamil Nadu, the share of the State Bank of India, lending in public sector banks is around 19.15 per cent to 39.66 per cent and in the priority sector, it is nearly 47.97 per cent. In Theni district the share of the State Bank of India lending to small-scale industries in the public sector bank and the priority sector ranged between 6.16 per cent and 54.15 per cent and 2.40 per cent to 13.60 per cent respectively. But fluctuation was observed in the State Bank of India lending to the small-scale industries in Theni district, compared to the public sector and the priority sector lending. The trend values showed that the target has increased faster than the actual amount of advances. The recovery rate of the SSI advances is a maximum of 69 per cent in Theni district.

CHAPTER V

IMPACT OF BANK FINANCE ON SMALL-SCALE INDUSTRIES IN THENI DISTRICT

5.1 Introduction

In this chapter, an attempt has been made to measure the impact of financing by State Bank of India on the respondent study units in Theni district. The impact is studied
by analyzing the quantitative change in the selected variables of the respondent units before and after receiving financial assistances from State Bank of India.

5.2 Measurement of Selected Variables

Twelve financial variables were selected and analysed for measuring impact of bank finance on the performance of selected small-scale units in Theni district.

The effective quantitative change in each variable before and after getting support from institutions was analysed with the help of framed hypotheses, which were duly tested by using ‘t’ statistics. Variables like value of the land, building, value of machinery, value of the tools used, value of the vehicles of the industry, value of the furniture equipped, value of the raw materials kept in the business, value of the finished goods stored, production the sales effected, the capacity utilization the total amount of working capital and the profit of the businesses of the respondents were selected for the present study.

5.2.1 Impact of Bank Loans on Land

The purchase of land for constructing buildings is main investment for any business establishment. Table 5.1 shows the average value of land of sample units before and after availing bank loans from State Bank of India in the study area.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Land</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>756420.0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Table 5.1 shows the average values of land of sample units before and after availing bank loans from State Bank of India, Theni district. The value of land registered 77.5 per cent increase after availing bank loans. In order to find out whether such increase is statistically significant or not, the following null hypothesis, was framed.

“There is no significant difference in the value of land of sample units before and after getting loans from State Bank of India, Theni”.

The growth in value of lands of sample units was found to be significant at five per cent level after availing bank loan from State Bank of India and so the null hypothesis is rejected. Hence small scale industries in study area are able to acquire more lands for constructing buildings with loans availed from State Bank of India, Theni.

5.2.2 Impact of Bank Loans on Building

The manufacturing and business units need capital for constructing buildings. This investment is made at the initial stage of starting business as well as at the time of expansion of the business.

Table 5.2 presents the average values of buildings of sample units before and after availing bank loans from State Bank of India, Theni district.

| After getting Bank Loan | 1342466.4 | 77.5 | 7.933* |

**Source:** Computed value.

*Significant at 5 per cent level.

**TABLE 5.2**
## IMPACT OF BANK LOANS ON BUILDINGS

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Buildings</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>1233920.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>3469520.0</td>
<td>181.2</td>
<td>12.124*</td>
</tr>
</tbody>
</table>

*Source: Computed value.*

*Significant at 5 per cent level.

It could be observed from Table 5.2 that the average values of buildings of sample units increased from Rs.1233920 to Rs. 3469520 during the period between before and after availing bank loans from State Bank of India, Theni district. The investment on building is doubled after availing bank loans as the rate of increase was 181.2 per cent.

The following hypothesis was formulated to know whether such increase is significant or not.

“There is no significant difference in the value of buildings before and after availing Bank loans”.

Table 5.2 reveals that there is a significant increase in the value of buildings of sample SSI units after availing bank loans from State Bank India, Theni, since respective t value is 12.124 which is greater than its Table value. Hence the null hypothesis is rejected. It could be concluded that bank loans helped the Small Scale Industries units in the study area to have more owned buildings for conducting their business operations.
5.2.3 Impact of Bank Loans on Machinery

The production capacity of any business units depends on the number of machineries installed in the plant. The SSI units have to earmark more capital for buying machineries. They use both owned capital as well as bank loans for buying business. The impact of bank loans on average values of machinery of sample units was shown under Table 5.3.

**TABLE 5.3**

**IMPACT OF BANK LOANS ON MACHINERY**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Machinery</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>288748.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>602784.0</td>
<td>108.76</td>
<td>8.456*</td>
</tr>
</tbody>
</table>

*Significant at 5 per cent level.

The values of machinery owned by sample units have become more than doubled after availing bank loans with the increase of 108.76 per cent.

The following null hypothesis was formed to test whether such increase was significant or not:

“There is no significant difference in the value of machinery before and after availing bank loans”.

It was found from above Table that the rate of growth in value of machineries was significant, at 5 per cent level. Hence the null hypothesis was rejected. Hence it
could be concluded that bank loans are major source of capital for SSI units to buy machineries for their manufacturing activities.

5.2.4 Impact of Bank Loans on Vehicle

Vehicles are used by SSI units for transferring raw-materials to production centre and distribute finished goods to different marketing centers. Table 5.4 presents the average values of vehicles of sample units before and after availing bank getting loans from State Bank of India, Theni district.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Machinery</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>747936.40</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>1661129.10</td>
<td>122.09</td>
<td>2.694*</td>
</tr>
</tbody>
</table>

Source: Computed value.

*Significant at 5 per cent level.

It is understood from Table 5.4 that the average values of vehicles of sample units increased from Rs.747936.40 and Rs. 1661129.1 during the period between before and after availing bank loans from State Bank of India in Theni. The rate of increase was found to be 122.09 per cent.

The following hypothesis is formulated to know whether such increase is significant or not.
“There is no significant difference in the value of vehicles before and after availing Bank loans”.

Table 5.4 further reveals that the increase the value of vehicles owned by SSI units in study area found to be statistically significant at 5 per cent level. Hence the null hypothesis is rejected. Hence it could be concluded that bank loans helped the SSI units in Theni district to own more vehicles for their business operations.

### 5.2.5 Impact of Bank Loans on Furniture

The furniture is another category in the business which requires investment. The average values of furniture owned by respondent SSI units were estimated before and after availing bank loans and the result of test of significant are presented in Table 5.5.

#### TABLE 5.5

**IMPACT OF BANK LOANS ON FURNITURE**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Furniture</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>368928.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>729045.94</td>
<td>97.61</td>
<td>13.714*</td>
</tr>
</tbody>
</table>

*Source: Computed value.*

*Significant at 5 per cent level.

The values of furniture owned by sample units have become almost doubled after availing bank loans with the increase of 97.61 per cent.

The following null hypothesis was framed to test whether such increase was significant or not.
“There is no significant difference in the value of furniture before and after availing bank loans, from State Bank of India, Theni”.

It was found from Table 5.5 that the rate of growth in value of furniture was positive and significant, at 5 per cent level. As the t value (13.714) is greater than calculated value (1.96) the null hypothesis is rejected. Thus the respondents units made use of bank loans for purchasing their furniture requirements.

5.2.6 Impact of Bank Loans on Tools and Equipment

Tools and equipments is tangible property of more or less durable nature which is used to perform a business operation or service. It includes jigs, digs, moulds and spare parts. Utilising the latest design and technology an organization can enhance its brand and work environment. The small scale industries procure a variety of precision tools and equipments to improve the quality of their products and also to increase their productivity. They also have to improve the design of tooling and train their technicians to manufacture improved tools and equipments.

The change in average value of tools and equipments before and after getting bank loans from State Bank of India, Theni district are presented in Table 5.6.

**TABLE 5.6**

<table>
<thead>
<tr>
<th><strong>PERIOD</strong></th>
<th><strong>AVERAGE VALUE OF TOOLS AND EQUIPMENTS</strong></th>
<th><strong>PERCENTAGE OF INCREASE/DECREASE</strong></th>
<th><strong>“t” VALUE</strong></th>
</tr>
</thead>
</table>

...
Table 5.6 reveals that before getting support, the average value of tools and equipments of the industry was Rs. 213568.05 and after getting support it was Rs. 305924.08. This shows an increase of 43.24 per cent. Such increase in the value of tools and equipments might have been due to purchase of additional tools and equipments.

In order to find out whether such increase in the value of the tools and equipments of the industry is statistically significant or not, the following null hypothesis was framed.

‘There exists no significant difference in the value of tools and equipments of the industry before and after getting support from State Bank of India, Theni’.

The results of the test of significance revealed that the apparent increase in the value of the tools and equipments of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (3.264) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that the bank finance helped the sample units significantly to purchase the tools and equipments.
5.2.7 Impact of Bank Loans on Raw Material

Raw-material cost is main component of working capital. There should be regular supply of raw-material which will otherwise affect production. There should be adequate stock of material which requires regular purchase of material. Hence enough capital should be earmarked for purchasing enough stock of material.

Table 5.7 shows the average values of raw materials of sample units before and after availing bank loans from State Bank of India, Theni.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Raw Materials</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>3363024.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>6592180.0</td>
<td>96.02</td>
<td>5.277*</td>
</tr>
</tbody>
</table>

Source: Computed value.

*Significant at 5 per cent level.

It is observed from Table 5.7 that the average values of raw materials of sample units increased from Rs.3363024 and Rs. 6592180 during the period between before
and after availing getting bank loans from State Bank of India, Theni. The following hypothesis is formulated to know whether such increase is significant or not,

“There is no significant difference in the value of raw materials before and after availing Bank loans”.

From Table 5.7 it is seen that the rate of growth of raw materials after availing bank getting loans was 96.02 per cent. The t test shows that the rate of increase is significant as the t value (5.277) is greater than its corresponding table value (1.96) at 5 per cent level. Hence the null hypothesis is rejected. Thus it could be concluded that the bank loans from State Bank of India, Theni helped the respondent units in study area to increase the stock of materials.

5.2.8 Impact of Bank Loans on Finished Goods

There is a time gap between production and sales, as long as the production continues. For a regular supply of goods to the markets and attain goodwill from the customers, the entrepreneur should keep adequate stock of finished goods.

Table 5.8 shows the average values of finished goods of sample units before and after availing bank loans from State Bank of India, Theni district.

| TABLE 5.8 |
| IMPACT OF BANK LOANS ON FINISHED GOODS |

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Finished Goods</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>1461895.0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Table 5.8 reveals that before getting support the average value of the stock of finished goods had been Rs. 1461895.0 and after getting support it was Rs. 2159565.0. This shows an increase of 47.72 per cent. It may be due to the fact that entrepreneurs keep adequate stock of finished goods only after getting financial support from SBI, Theni district.

The following null hypothesis was framed in order to find out whether such apparent increase in the value of the stock of finished goods of the industry is statistically significant or not.

“The value of the stock of finished goods kept in the business does not show a significant difference before and after getting support from SBI, Theni”.

The results of the test of significance revealed that the apparent increase in the value of the stock of finished goods of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (4.316) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the SBI support, the value of the stock of finished goods of the study units has substantially increased.

5.2.9 Impact of Bank Loans on Working Capital
Working capital is the amount of funds which a small scale enterprise must have to finance for its day to day operations. It is short term finance. Working capital is required to purchase raw materials, inventories, spare parts and payment of wages. It is required for running the business. It is raised out of one’s own funds and short term loans in the form of cash credit and overdraft from the financial institutions.

The impact of getting bank loans on values of working capital of sample units before and after loans from SBI in Theni district was shown under Table 5.9.

**TABLE 5.9**

**IMPACT OF BANK LOANS ON WORKING CAPITAL**

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Working Capital</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>1575246.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>2208471.2</td>
<td>40.20</td>
<td>8.314*</td>
</tr>
</tbody>
</table>

*Source: Computed value.*

*Significant at 5 per cent level.

It is clear from Table 5.9 that before getting support, the average amount of working capital of the industry had been Rs. 1575246.0 and after getting support it was Rs. 2208471.2 This shows an increase of 40.20 per cent. It helps the entrepreneurs keep adequate amount of working capital in order to meet day to day expenses.

The following null hypothesis was framed in order to find out whether such apparent increase in the amount of working capital of the industry is statistically significant or not.
‘The total amount of working capital of the business has not significantly increased after getting support from State Bank of India, Theni’.

The results of the test of significance revealed that the apparent increase in the value of the working capital of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (8.314) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutional support, the amount of working capital of the industry has substantially increased.

5.2.10 Impact of Bank Loans on Production

The performance of the industry is measured in terms of production. Conversion of raw material into finished products is known as production. The four factors of production, raw material, labour, capital and organisation are directed towards the achievement of production. In order to ensure continuous flow of production, the industry maintains sufficient amount of stock of raw materials. In addition, industry keeps the required amount of cash to pay wages, overheads and meet its other obligation during the process of production.

The change in average values of production of sample units before and after availing bank loans from State Bank of India, Theni district are presented in Table 5.10.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Production</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
</table>

TABLE 5.10
IMPACT OF BANK LOANS ON VALUE OF PRODUCTION
It is clear from Table 5.10 that the average values of production of sample units before and after availing bank loans from State Bank of India in Theni district.

The value of production registered 46.84 per cent increase after availing bank loans. In order to find out whether such increase is statistically significant or not, the following null hypothesis was framed,

‘There is no significant difference in the value of production of sample units before and after getting loans from SBI, Theni’.

The results of the test of significance revealed that the apparent increase in the production of the industry after getting support when compared to that one before getting support is statistically significant as the calculated ‘t’ value (5.322) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Thus it could be concluded that the bank loans from State Bank of India, Theni helped the respondent units in study area to increase the production of the industry.

### 5.2.11 Impact of Bank Loans on Sales

Sale is an important factor in business. The profit of the industry mainly depends on the sales. Production will be increased, if sales are performed simultaneously. The
main object of sale is to dispose of goods at a satisfactory price. In order to increase the sales volume, the industry maintains sufficient volume of stock of finished goods. To increase the sales volume demand must be created. The entrepreneurs spend large amount of money for advertisement and sales promotional activities as they increase the sales volume of the products. Besides an industry may extend credit facilities to all of its customers. Hence mass production is possible. This leads to reduction in the cost of production.

Table 5.11 presents the average values of sales of sample units before and after availing bank loans from State Bank of India, Theni district.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Sales</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>9322605.10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>23748200.0</td>
<td>154.74</td>
<td>5.173*</td>
</tr>
</tbody>
</table>

Source: Computed value.

*Significant at 5 per cent level

It could be observed from Table 5.11 that the average values of sales of sample units increased from Rs.9322605.1 to Rs. 23748200.0 during the period between before and after availing bank loans from State Bank of India, Theni. The following hypothesis is formulated to know whether such increase is significant or not,
“There is no significant difference in the value of sales before and after availing Bank loans from State Bank of India, Theni District”.

The results of the test of significance revealed that the apparent increase in the value of sales after getting support when compared to that one before getting support is statistically significant as the calculated ‘t’ value (5.173) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutional support, the sales of the industry substantially increased.

5.2.12 Impact of Bank Loans on Profit

The primary objective of business is to produce and sell goods for profit, of course, through the satisfaction of human wants. Business of all kinds entertains an idea of earning profit at the maximum. Profit is the amount of money that a company receives from its normal business activities, usually the sale of goods and service. A business which does not earn profit cannot stay in the market for a longer period. The income of enterprise, therefore, must exceed expenditure over a period of time. Profit is necessary for the enterprise to ensure its own survival, growth and expansion. The business enterprise should work for reasonable profit which should cover its own future risk. If the profit is made by over-charging customers and indulging in malpractices such as hoarding, black-marketing, smuggling, it will be against the ethics of business.

The impact of getting bank loans on values of profit of sample units before and after loans from State Bank of India in Theni district was shown under Table 5.12.
TABLE 5.12
IMPACT OF BANK LOAN ON PROFIT

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Value of Profit</th>
<th>Percentage of Increase/Decrease</th>
<th>“t” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Getting Bank Loan</td>
<td>609800.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>After getting Bank Loan</td>
<td>989704.0</td>
<td>62.31</td>
<td>3.512*</td>
</tr>
</tbody>
</table>

Source: Computed value.

*Significant at 5 per cent level.

It is clear that Table 5.12 shows that before getting support, the average profit of the industry had been Rs. 609800 and after getting support it was Rs. 989704. This shows an increase of 62.31 per cent. This increase may be due to the increase in production and sales. The following null hypothesis was formed to test whether such increase was significant or not

“There is no significant difference in the value of profit before and after availing bank loans from State Bank of India, Theni”.

The results of the test of significance revealed that the apparent increase in the profit of the industry after getting financial support compared to that one before getting support is statistically significant as the calculated ‘t’ value (3.512) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore, the null hypothesis is