INTRODUCTION

1. In this research work the problem that is attempted to be studied is the role of financial institutions in financing small scale industries in Maharashtra. The different terms used in the thesis are defined as follows. This will also contribute in determining the exact scope of the study.

2. DEFINITIONS OF THE TERMS

a) Small Scale Industry: In this research, small scale Industry-definition as given in the New Industrial Policy Statement 1980 has been accepted. The definition is as follows: *'A unit having investment upto Rs. 20 lakhs in plant and machinery and investment upto Rs. 25 lakhs in case of ancillary unit'. This definition has been framed after undergoing many terminological changes.

b) Institutional Finance: The concept of institutional finance is closely related with organized capital market. So institutional finance can be defined as: finance provided by institutions having a separate legal entity in capital market. These include state level agencies, regional development corporations, commercial banks, co-operative banks etc.

3. HYPOTHESIS

Preliminary studies have contributed in formulating the hypothesis for this research work. The hypothesis is - several financial institutions are playing a significant role in meeting the financial requirements of small scale industries.

4. OBJECTIVES

This research has been undertaken with the following objectives:

a) To examine the role of financial institutions in financing small scale industries.

b) To study the problems, which are preventing these institutions from giving regular and adequate finance to small scale industries.

c) To find out the extent of co-ordination that exists among financial intermediaries while assisting small scale industry sector.

Study based on these objectives, will indirectly contribute to the testing of the hypothesis mentioned earlier.
5. CONTRIBUTION TO KNOWLEDGE

The subject of small scale industry and its development has been studied time and oft these days. Its various aspects have been considered and studied by different research scholars: investment and output analysis, its development in particular area or district, entrepreneurship in the field of small scale industry etc.

This study pertains to the role of all institutions working at the State level, regional level and is not confined to that of a single institution. Moreover when the role of different institutions is studied in comparison we are enabled to find out overlapping of activities, loopholes, in the present working system or systems, and problems that are faced at present. This study brings to notice the various sources available to meet financial requirements of small scale factories. So this study, it is hoped, should serve as a contribution to knowledge.

6. NATURE OF STUDY

This survey pertains to Maharashtra, and the activities of regional and State level agencies during the last two decades (i.e. the years 1960-80) have been taken into consideration. This survey covers the various schemes
of assistance that have been developed by different financing agencies. All these schemes are meant for assisting small scale industries, in different ways. The main stress in this research is on the supply side. In order to make this study more balanced, at the end borrowers views about institutional finance, collected by issuing questionnaires are included.

The time span covered in this research is last two decades. This is because in 1960 Maharashtra State was separated from Gujarat for administrative purposes. Industrialisation in Maharashtra got real impetus only after this event. Change in the Government, has not resulted in change in industrial policy. Various financial institutions have come up during this period of twenty years. For these reasons, this time span has been considered for this research.

7. METHODOLOGY

The subject matter of the thesis is the role of the financial institutions in small scale industries financing. This role is financial help which assumes a special significance. This study is based on some definite
assumption about relationship between borrowing institutions (i.e. small scale industries) and lending institutions. This assumption is that lending institutions have given priority to small units for the purpose of financing inspite several problems faced by both the lender and the borrower.

The study undertaken is analytical. The methodology or the techniques that are normally used in social research are used in this research also. In order to present the subject matter systematically and logically brief statement of the problem (hypothesis) and clarification regarding two concepts - (institutional finance and small scale industries) has been given in the initial stages. In order to make the discussion more comprehensive, impressive and meaningful use of statistical tables has been made. Summary, given at the end of every chapter - (in Part II) would enable bring into limelight the policy of each institution in respect of grant of financial assistance. The study of each institution is based on some essential common points i.e. establishment, schemes of financial assistance, resources available with the institution, policy for deployment of funds and the changing priorities.
For collecting data, secondary sources - articles in journals, periodicals, reports have been referred. Many books have been consulted for collecting background - historical information. Use of graphs, and maps has been made wherever required. As any research finding based only on secondary data cannot be conclusive and logical it is necessary to collect primary data to get first hand information based on the actual experiences of the borrowers and lenders. The borrowers and lenders develop typical attitudes and approaches to problems in borrowing and lending. These attitudes and approaches must be studied with the help of a questionnaire covering various dimensions of the problem. Accordingly such a questionnaire is prepared and the primary data is collected. This has facilitated analysis of both the demand and supply aspects of the problem of financing small scale industries. This balanced analysis has enabled me to know whether there has been any discrepancy between the requirements of funds from small scale industries and fulfilment of those requirements by the financial institutions. This also has enabled me to test objectively the hypothesis namely that whether the financial institutions have been playing
a significant role in meeting the requirements of small scale units. The primary data collected also enables us to get a clear picture of the problems faced by the borrowing and lending side, it also makes us available suggestions regarding practical solutions to the problems and support the research findings.

8. LIMITATIONS OF THIS RESEARCH

This survey has been undertaken by an individual researcher. The area of enquiry is therefore restricted as regards the period (1960-1980) and the number of institutions covered. While covering the working of many institutions the researcher had to face many difficulties.

Some of these institutions responded promptly and willingly. The authorities in Maharashtra State Financial Corporation, S.I.C.O.M., Directorate of Industries, Bombay were very helpful. Some other institutions were not in a position to supply information for the years gone by and consequently their annual reports of past years and other related information could not be had. Sincere attempt has been made to collect maximum possible up to date data. This adapted data is helpful to find the nature of relationship
between small scale industry sector and financial institutions, in our State. Similarly it makes possible to find general trends in the investment strategy of these institutions.

9. ARRANGEMENT OF THE MATERIAL

For the sake of analytical convenience, the material collected has been divided into three major parts. Each part again consists of related chapters.

Part one of the thesis has been devoted to the discussion of present industrial scene in India and in Maharashtra with special reference to small scale industries. Two separate chapters have been included for taking this preliminary review. Chapter third in this part covers study as to the financial requirements of small scale industries. These three chapters, together, have created background for further studies.

The second part consists of separate chapters for different institutions - M.S.F.C., S.I.C.O.M., Commercial banks, Co-operative banks, Regional Development Corporations and All India Financial Corporations (i.e. I.D.B.I. & N.S.I.C.). In order to make the study logical and meaningful some common important aspects of their working
have been considered. Statistical tables have been adapted to support theoretical information.

The last part of this research consists of three separate chapters. Chapter X covers inter institutional comparisons. These have contributed in pointing out overlapping of activities and important lacuna in the working of institutions. The next chapter covers impressions of borrowing units about institutional finance in our State. These impressions are collected by issuing separate questionnaires for borrowing units and their associations. Consideration of borrowers impression has made this study more balanced. In the concluding chapter of this research volume some conclusions and recommendations have been given which may perhaps locate a new problem or area of research, for other research scholars.

The arrangement of the individual chapters is as follows:

Chapter 1:
Industrial Development in India (with special reference to small scale industries).

Chapter 2:
Industrial Development in Maharashtra (with special reference to small scale industries).
Chapter 3:

Financial requirements of small scale industries.

Chapter 4:

The role of Maharashtra State Financial Corporation in financing small scale industries.

Chapter 5:

The role of the State Industrial and Investment Corporation of Maharashtra, in financing small scale industries.

Chapter 6:

The role of Commercial Banks and the State Bank in financing Small Scale Industries.

Chapter 7:

The role of Co-operative Banks in financing Small Scale Industries.

Chapter 8:

The role of Regional Development Corporations in financing Small Scale Industries.

Chapter 9:

All India Financial Corporations and Small Scale Industries.

Chapter 10:

Inter-Institutional Comparisons.
Chapter 11:
Impressions of borrowers about institutional finance.

Chapter 12:
Conclusions and recommendations.

10. SOURCES OF MATERIAL
In order to make the study more meaningful it has become necessary to make use of various resources. These resources can be classified as primary, secondary and tertiary. For this research, use of annual reports, other information published by these institutions has been made. Similarly contributions in the form of articles, books in particular topic, have been referred to. A separate note of this has been made in the attached bibliography.

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