

CHAPTER-II

Review of Literatures

2.0: Introduction

Since the decades of the seventies of the earlier century, subsequent to bank nationalization, initiation of a new era has come up in growth of industrial performance. Industries with the aid of finance available as loan from banks in public sector had ventured new height in their performance profiles. One of the aims of nationalization of banks had been an aid to growth need of industries.

In this scenario, it requires a special mention of the activities of MSMEs which were basically not entertained as sectors to be relevant to be taken care of. This research work is based on an analytical study with field-based data over functions of loan from banks in public sector in financial performance, especially in industrial growth, capital building and profit making of MSMEs.

Several analytical and field study based research works available over nature, performance and use of banks in public sector loans upon MSMEs is taken for analytical study in different work, but work specifically in area of capital restructuring and capital growth and associated other financial performances of MSMEs because of role of bank loan is not taken for analysis. This work is an effort in this area. In this respect, it also requires to study existing research work to find the extent of available work done in this area by different research scholars and the extent of research work to be done to justify the role of bank loan in the performance of the MSMEs with regard to financial effects in the areas as noted above. Such an evolution of 'to be done' will explore the existing research gap in this respect.

The following research works are done for necessary study and the work done by the concerned research workers may be taken for consideration.

2.1: Books, Ph. D. Thesis, Committee Report review relating to the present study is given below:

2.1.1: Books:

Singh, I., & Gupta, N.S. (1971)¹, at their study based on a survey of 50 artisans and 200 small scale industries, focused to highlight pattern and problem of finance separately of artisans and small scale industries such that they can explore the possibilities of finance from financial institutional especially of commercial banks for the assistance of industrial units as well as commercial banks. On the other hand, the authors wanted to measure the socio-economic development of the state. The study discovered those huge potentialities for bank credit which need to be exploited properly by commercial banks.

Vepa, R.K. (1984)², in his work, has given practical guidance by explaining how in a simple way an entrepreneur will set up and operate a small business. He discusses the idea about the choice of product; selection of a location; obtaining of credit and fixation a problem of marketing and operation. The author has included some most up to date possible appendices which provided a store of the necessary information to establish and run a business a better way. He has talked about the selling process of product in the domestic market, to Government and the international market. The author has also considered an important aspect of getting success in the future i.e., how to avoid present failures.

¹ **Singh, I., & Gupta, N.S. (1971).** *Financing of Small Industry*. New Delhi, India: S. Chand & Company Ltd..

² **Vepa, R.K. (1984).** *How to succeed in Small Industry*. New Delhi, India: Vikash Publishing House Pvt. Ltd..

Panda, G. (1986)³, in his work, has explored problems of working capital problems in small scale industries. With this, the book has covered the problems of inadequacy, the choice, the source and the problems of raising working capital. The study extended for a period of nine years for a sample of fifty companies. The utilization of bank finance credit by the backward areas' small industries created a special part for this study. The author has discussed elaborately the theory, concept, and optimality of working capital; the problem of management of availability of working capital; finance problem; uses of working capital; preparation and interpretation of statement related with fund flow for analyzing the changes of working capital; and deviations from overall trend of companies individually.

Bala, S. (1988)⁴, conducted a study on government policy and the implementation of that policy. Author has made attempt to make a widespread study of all aspect related to management of small scale firm. The study has claimed that on behalf of Governments, their policy was one of promoting this sector. The study was commenced to examine that policy and way of work. Different aspects of the policy were taken for consideration in this work such as financial assistance, raw-material assistance, technical assistance, marketing assistance, provision of power and labour policy.

Vepa, R.K. (1988)⁵, in his work, has traced the growth of small scale industry in India during the plan periods. He has made a critical evaluation of modern SSI and its future improvement and prospects. He has identified some important key issues which need to

³ **Panda, G. (1986).** *Management of working capital in small scale industries.* New Delhi, India: Deep & Deep Publications.

⁴ **Bala, S. (1988).** *Management of Small-Scale Industries.* New Delhi, India: Deep & Deep Publications.

⁵ **Vepa. R. K. (1988).** *Modern Small Industry in India: Problems and Prospects.* New Delhi, India: Sage Publications India Pvt. Ltd..

resolve if the sector is to grow as per the target of Seventh Plan. The issues include modern technology support, credit facility, and marketing assistance. The author feels that if the small industry cannot exist without large industry then a large industry cannot flourish without small industry. He suggests working both small and large industry together in a complimentary manner, in which both together may create a strong and balanced economic industrial base which can take it in the next decade. He also suggests making a strategy for micro-planning at the field level.

Satyanarayana, T. (1989)⁶, had appraised the effectiveness of financial help obtained from APSFC (Andra Pradesh State Financial Corporation). This study ranked the districts according to employment generation and fund investment to the industry. Side by side, the study ranked the districts according to the size of the sanctioned loan. Loan disbursed for SSI was analysed industry wise, region wise, backward district wise, and overall. Cluster analysis approach was adopted and cluster-wise financing for small-scale industries at Andra Pradesh was presented in detail. Analysis of loan disbursed to intra-cluster industries showed a rising preference for consumption goods in a cluster compared with other cluster and financial help to SSI can be evolved either on the bases of principals of micro or macroeconomics. The study suggested providing package basis financial help to small scale industries.

Desai, V. (1989)⁷, at his book, has made an in-depth study regarding various affairs of small-scale industries. He explained the policies governing and planning for activities of small scale industry. He elaborately analysed the institutional help and production by

⁶ **Satyanarayana, T. (1989).** *Financing of Small-scale industries.* Bombay, India: Himalaya Publishing House.

⁷ **Desai, V. (1989).** *Management of Small Scale Industries.* Bombay, India: Himalaya Publishing House.

explaining the planning of production, cost of production and technical know-how of this sector. Author has provided a fine analysis of capital and finance of small scale sector by looking at the aspects of capital structure, management of cash flow and working capital along with planning and control of profit and tax benefit by the owners in their business. At last, he also explained the methods of marketing, pricing and distribution channels, promotion and sales management.

Reddy, K.C. (1990)⁸, in his case study, desired for studies role of bank finance i.e. impact of banking finance in small-scale industries development in districts of Visakhapatnam of Andhra Pradesh. The study had been on a field survey of 150 small industrial units comprising 75 units financed by the State Bank of India and other 75 units financed by banks else than State bank of India. On basis of the results, he was of opinion that bank finance had significant contributions for promotion of industry in small-scale in several ways. But, there was a feeling of the author that the quantum of financial assistance was inadequate.

Khanka, S. S. (1990)⁹, had made his study on the output of UGC sponsored Minor Research Project. This was based on field data taken of a sizeable sample of industries in small scale sectors located at Kumaun Division of Uttar Pradesh. The authors highlighted some observations based on this study. These are, the entrepreneurs' own share being less than the institutional funds in the total capital structure of enterprise because of their poor economic conditions and due to government's drive to the concessional finance being

⁸ **Reddy, K. C. (1990).** *Financing of Small Scale Industries: A Case Study of Visakhapatnam District in Andhra Pradesh.* Bombay, India: Himalaya Publishing House.

⁹ **Khanka, S. S. (1990).** *Entrepreneurship in Small Scale Industries,* New Delhi, India: Himalaya Publishing House.

available to the entrepreneurs. Availability and accessibility of finance available from financial institutions increase with the increase in the size of the industry. Also, financial institutions have expanded their loaning activity with small scale units. But the member of general multi-dimensional problems has been encountered by the selected entrepreneurs for their development. Therefore, the researcher suggested that the developmental agencies should help to solve problems by the expert team as they have real knowledge regarding these types of problems.

Bansal, S.K. (1992)¹⁰, analyzed the data of Balance sheet with P/L statement of some selected small scale sectors using statistical techniques which states health of units. The findings and suggestions of the study expected to guide the Entrepreneurs, Financial Institutions, state, and Central Government to provide an environment in which the entrepreneurs will be strong enough for growing health of their enterprises. The book provides useful insights relating to financial problems and industrial sickness of small scale industry.

Panda, S. C. (1996)¹¹, in this book, as compared with different aspects of in general growth of small scale sectors with the development of entrepreneurs of Orissa. In brief, the study was aimed in examining some relevant aspects like whether policies are rightly perused or not; whether the policies had helped in the growth of new entrepreneurs or not; and how far the entrepreneurs been able to manage their enterprises in spite of heavy odds and uncertainties. Further, the study analysed the growth of entrepreneurship on basis of

¹⁰ **Bansal, S. K. (1992)**. *Financial Problems of Small Scale Industries*. New Delhi, India: Anmol Publications.

¹¹ **Panda, S. C. (1996)**. *Entrepreneurship Development in Small Scale Industries*. New Delhi, India: Anmol Publications PVT. LTD..

historical perspective. And discovered the problems related to finance, labour, raw material, and marketing from a managerial perspective.

Ahmad, J. (2001)¹², examined the role of finance in the growth and development of SMEs in view of the forces of economic globalization. The author stated that the enterprises require humble amount of capital to generate proportionately larger employment opportunities to inspire economic activity within a country and to distribute benefits of financial development. The study has reviewed how financial schemes facilitate them to realize better access to a source of finance.

Soundarapandian, M. (2002)¹³, in the book, stated the backbone of developing the country as India is small scale sector. SSIs have become an effective weapon in fetching into existence a tunefully balanced mobilized socio-economic order in our economy. The book has been covered different function of SSI units that have the most effective outcome in respect of employability and value-added mostly in developing economies. Author has explained that the appropriate management and useful utilization of indigenous resources for the development of industries provides the way for the spreading out and strengthening of small scale sectors.

Agrawal, A. N. (2003)¹⁴, has explained the significant role of small scale sectors in the growth of the Indian economy as well as securing great prospective for the future progress of the economy. The book acknowledged various problems facing SSI units, it

¹² **Ahmad, J. (2001)**. *Financial schemes for Small and Medium Enterprise*. United Nations, New York: Economic and Social Commission for Western Asia publication.

¹³ **Soundarapandian, M. (2002)**. *Small Scale Industries, Vol 1*. New Delhi, India: Concept Publishing Company.

¹⁴ **Agarwal, A. N. (2003)**. *Indian Economy-Problems of Development and Planning*. New Delhi, India: Wishwa Prakashan Publication.

also describes counteractive measures adopted by the India Government in the importance of the growth of SSIs. The author contributed suitable conclusion in respect of small scale sectors in India.

Sivayya, K. V. (2004)¹⁵, has given a special strength on highlighting the development that takes place at Indian industrial economy during the planning era. The book covers different features of small scale units which elaborates the exact position of small scale units in Indian economy. It also focuses on the difficulties faced by owners of SSIs. The book also stated the initiative role government of India has taken to run numbers of programmes for rapid expansion of small industries.

Desai, V. (2005)¹⁶, has elaborated the importance of smallness by explaining the advantages of smallness in an appropriate way. This book covers benefits of small scale units which made a distinction them from large and medium Enterprises. It also presents detail information of SSIs and their exclusive advantages which were not only for social development but also for economic development of India.

Patil, L. (2005)¹⁷, in his book, has affirmed that small scale units had flourished as a progressive and vibrant sector of the Indian economy. The study highlights the importance of SSIs. It further acknowledged that in India, the population growth is increasing day by day but the unemployment figure is rising because of the lack of job opportunity. Therefore to fill this huge gap, it should enlighten the small scale sector so

¹⁵ **Sivayya, K. V. (2004).** *Indian Industrial Economy*. New Delhi, India: S. Chand Publication.

¹⁶ **Desai, V. (2005).** *Small Scale Industries and Entrepreneurship*, Mumbai, India: Himalaya Publishing House.

¹⁷ **Patil, L. (2005).** *Economics and Management of SSI*. Mumbai, India: Industrial and Technical Consultancy Services Publication.

that the educated unemployed persons will be able to employ themselves by the setting of the SSI unit. The book gives special look upon different areas of SSI sectors like financial help from financial institutions, sorting of difficulties found by them like financial, marketing, raw material, technology, and management.

Chatterjee, A. (2006)¹⁸, in this book, has emphasized on development involved in the Industrial sector of India during the post-independence period. It highlights key reform actions undertaken for the industry development in course of economic liberalization. In the study, the author identified several advantages of SSIs and desired to clear how it occupied a prominent place in overall strategy in India over industrial development. Further, he discovers various problems facing by SSIs and also elaborates on recent policy initiatives taken by Indian Government for promoting small industries.

Lahiri. K. (2007)¹⁹, in the book the author puts emphasis on the importance of small scale sectors since it holds a major share in the economy of India over terms of production, employment, and export. The book expounds overall functions of small units of India and also focus on challenges upon this sector after liberalization. The book covers a number of articles presented by eminent researchers on small industries. Most of the articles elaborate on the scope and achievements of the small scale sector and contributed valuable conclusion on it.

¹⁸ **Chatterjee, A. (ed.). (2006).** *Sixty years of Indian Industry' (1947-2007).* Delhi, India: New Century Publications.

¹⁹ **Lahiri, K. (2007).** *Small Scale Industries,* Hyderabad, India: The University Publication.

Mohanty, A. K., & Mahapatra, D. M. (2007)²⁰, this book dealt over evolution and growth after developmental financial institutions and SMEs sector in India. It also covered the development of Small and Medium Enterprise sectors and the operational performance of Orissa State Financial Corporation (OSFC) during 1990-91 to 1999-2000. The main objective of the corporation is to provide long and medium-term credit to SME units for construction and modernization of factory buildings, purchase of machines and other requirements. It also guarantees loans from Scheduled banks and 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 issue of shares and loans by industrial concerns and meets foreign exchange requirements of SMEs. OSFC also extends financial assistance towards expansion and modernization of existing units and rehabilitation of sick units. OSFC had assisted basic and also capital goods industries like Hotels, Electrical, Transport equipment, Chemical and fertilizers machinery etc. to extent of 44 percent, followed by services 37 percent and traditional 19 percent other SSI units receiving assistance comprised service and modern units like electrical, electronics, engineering, computers, plastics and polymers, glass and ceramic etc. It was found that financial assistance provided 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 a concerted effort by the corporation to enhance the assistance provided to backward and no industry districts.

²⁰ **Mohanty, A. K., & Mahapatra, D. M. (2007).** *Financing Of Small and Medium Enterprises in India.* Serials Publications.

Prasain, G. P. (2007)²¹, in his book, has affirmed that developed small scale industries of that time had been viewed as an effective way of encouraging the private sector contributions to both growth and the equity objectives of development. Small scale sectors are observed to exist in each country. He elaborates that they play a vital role in the industrialization of developing countries by providing immediate large scale employment and have a comparatively higher labour-capital ratio. The book covers various distinctive features of SSI units and includes an intelligent conclusion on the same.

Ray, S. K. (2007)²², in his book, has presented analysis of all vital segments of the Indian economy such as resources, population, agronomy and industry and also transport, energy, and the remaining infrastructure on another hand, this book critically examined the issues like economic dimension, land and tenancy reforms, inflation and banking structure and international monetary system and their crash on Indian economy. It also distinguishes the organized industries and unorganized large, medium to modern, small industries. The book expands the performance of small scale sector and discusses whatever the problems faced by this sector at a different level.

Pooja. (2009)²³, in his book, gave details about the existence of Small enterprises in pre and post-enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The act provides the first legal framework to recognize the concept of Enterprise in case of manufacturing as well as servicing and also the act has integrated the

²¹ **Prasian, G. P. (2007)**. *Small Scale Industries and Entrepreneurship*. New Delhi, India: Akansha publication house.

²² **Ray, S. K. (2007)**. *The Indian Economy*. New Delhi, India: Asoke Ghosh Publication.

²³ **Pooja. (2009)**. *Micro, Small & Medium Enterprises in the Indian Economy: Business Development Strategies*. New Delhi, India: New Century Publications.

three tiers of enterprise namely Micro, Small and Medium Enterprises in India. The book was mainly dealt with various aspects like advantages, performances, problems, and developments of enterprises in India.

Datt. G., & Mahajan, A. (2010)²⁴, in their book, have emphasised historical growth in the Indian economy. The books elaborate rational as well as a philosophical basis of Indian planning, the growth of industrial policy, the rising role of the public sector in the Indian economy. The study elaborates the survey of the agriculture sector, industrial sector and tertiary sector of Indian economy at the macro level. The book has also serve information regarding problems of industrial finance and management in large scale units and small scale units.

Jena. S. K. (2013)²⁵, In this book, the author focused on only Micro Finance and the micro enterprises in India, which help provide livelihoods, generate export earnings, and touch upon the lives of the remotest and most marginalized people. The needs and problems, and potential of such enterprises differ not just with nature of the activity (weaving, knitting, wood-carving, etc.), but also with the size, geographical location, and organizational structure. Not only do micro enterprises generate the highest employment per capita investment, but they also go a long way in checking rural-urban migration by providing villagers and people living in isolated areas with a sustainable source of employment.

²⁴ **Datt. G., & Mahajan, A. (2010).** *Indian Economy*. New Delhi, India: S. Chand Publication.

²⁵ **Jena, S. K. (2013).** *Micro Finance and Micro Enterprises in India*. New Century Publications.

Taxmann, (2013)²⁶, the book contained almost of the aspects regarding starting and setting up of an enterprise, legal and regulatory features, as well as financing options which provide a comprehensive understanding of SMEs. In addition, the book consists of some examples from around the globe to understand the freedoms and limitations of this sector.

2.1.2: Ph.D. Thesis:

Murthy, (1980)²⁷, in his thesis entitled “Financing of SSI in Rayalaseema”, points out that though the problem of SSI is a multi-dimensional one, it is revolving around the availability of adequate finance, more so with working capital. Unless the banks lend themselves they cannot move hand in gloves with SSI in solving a problem sympathetically as a friend, philosopher, and guide for the much talked about rural industrialization, balanced regional development etc.

Neelmeagam, R. (1981)²⁸ in this study upon a study of finance to SSI with special reference to Tamil Nadu " has concluded that there must be two separate independent and autonomous apex financial institutions for large and medium SI and another for SSI with their constituent institutions specialising in clearly demarcated area of operation in

²⁶ **Taxmann, (2013)**. *Small and Medium Enterprises in India*. New Delhi, India: Taxmann Publications Pvt. Ltd..

²⁷ **Murthy, (1980)**. Financing of SSI in Rayalaseema. Ph.D. thesis, Sri.Venkateshwara University, Anantapur.

²⁸ **Neelamegam, R. (1981)**. A study of institutional finance to SSI with special reference to Tamilnadu. Ph.D. Dissertation, Madurai Kamaraj University.

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

Agarwal, M. S. (1987)²⁹ in this article entitled “Bank Financing of Small-Scale Industries in India” states that the Indian banking system failed to extend the appropriate amount of loan to SSIs. He observes that the banking institution should be more practical and flexible in their attitude rather than strictly following legal practices with a view to enabling the borrowing units to overcome any temporary difficulties.

Rajendran, N. (1995)³⁰ has said in "Institutional Assistance for the Development of SSI in Tiruchirappalli District" that the main objectives of the study are to study and evaluate the policies and plans is related to development of SSI, to study and analyze the role of industrial promotion institutions in the development of SSI, to highlight problem faced by the SSI in availing the facilities from various institutions. He concluded that for advancing loans, the collateral security sought by the banks is also a major problem.

Thilaka, C. (1996)³¹, in her study "A Study of Financing of Select Small Scale Industries by Commercial Banks in Tamilnadu" states that the important problems of the small scale industries were bank finance. Restriction on term loan facilities to small scale industries acted as a stumbling block in the promotion of SSI units. She states that commercial banks provide only 75 percent of the financial needs of the small scale industrial units.

²⁹ **Agarwal, M. S. (1987)**. Bank Financing of Small- Scale Industries in India. Ph.D. thesis, Kerala University.

³⁰ **Rajendran, N. (1995)**. Institutional Assistance for the development of SSI in Tiruchirappalli. Ph.D. Dissertation, Bharthidasan University. Tiruchirappalli.

³¹ **Thilaka, C. (1996)**. A Study of Financing of Select Small – Scale Industries by Commercial Banks in Tamilnadu. Unpublished Ph.D. Thesis, Madras University.

Further, the borrowers complained that they had to visit the bank more than ten times for getting their loans.

Kamalakaran, R. (1999)³², in his study on "Financing of SSI in Kamarjar District" the main objectives of the thesis is to analyze the financial institutions provided by commercial banks, to find out major problems faced by SSI, to offer suggestions. He concludes that in the economy of India where population pressure is high, resources abundant and capital scarce, SSI alone offers a proper solution for economic ills. Pre SSI has good export potential. The government in India also has emphasized the importance of SSI for achieving socio-economic objectives like generating more employment, removing regional disparities and reduction in economic backwardness of rural area. However, the SSI often suffers from a scarcity of financial resources owned preventing further investment. The development of SSIs is dependent upon the availability of required finance at reasonable cost at the right time.

Sekar, P. (1999)³³, in his study on Institutional finance for SSIs in Tamilnadu, the major objectives of the research are to assess the growth of SSI in Tamilnadu, to examine the contributions made by the various agencies in providing financial assistance to SSI, to identify the problems of financial institutions in assisting SSI. His findings show that State Bank of India, its subsidiaries and the nationalized commercial banks are the major sources of institutional credit for working capital.

³²**Kamalakaran, R. (1999)**. Financing of SSI in Kamarjar District. Ph.D. Dissertation, Madurai Kamaraj University.

³³**Sekar, P. (1999)**. Institutional finance to SSI in Tamilnadu. Ph.D. thesis, Madurai Kamaraj University.

Joseph, S. X. (2000)³⁴, in his "Study on the Contribution of Commercial Banks to the growth of SSI in Tiruchirappalli district" attempts to assess the financial needs of SSI, to identify different sources of finance to SSI, to study the role of financial institutions towards providing financial assistance to SSI, to identify problems of SSI in availing bank finance and to suggest solutions to the problems identified.

Sharma, L. S. (2000)³⁵, in his published thesis on the role and contribution of Reserve Bank in financing Indian Industry, its impact on growth observes that SSIs have made very good progress in the utilization of credit and contributed to national production in a big way. Bank credit and growth of an industrial unit are interrelated. Banks have to assess the need of SSI borrower through current ratio and DSCR and restrict credit facilities upto twenty percent of turnover. Reserve Bank has made banks indifferent in their work relating to SSI by issuing voluminous instructions and guidelines.

Murthy, D. G. R. (2001)³⁶, in the unpublished work on institutional finance for the development of SSIs in Karnataka finds that the availability of bank finance has not met the demand from SSI sectors. The educational background of entrepreneurs did not have much impact on the running of units. Proprietary and partnership firms were seen to be more regular and responsive of loan repayment than limited companies. The study suggests setting up of SSI mutual fund, more specialized SSI branches and modification of Narasimham Committee report to suit SSI sector.

³⁴**Joseph, S. X. (2000)**. A study on the contribution of commercial banks to the development of SSI in Tiruchirappalli district. Ph.D. Dissertation, Bharthidasan University, Tiruchirappalli.

³⁵ **Sharma, L. S. (2000)**. *The Role and Contribution of the Reserve Bank of India*. New Delhi, India: Modern Publishers.

³⁶ **Murthy, D. G. R. (2001)**. Institutional Finance for the development of SSI in Karnataka, Unpublished Thesis submitted to Bangalore University, Bangalore.

Veghlo, F. (2009)³⁷, in this work article entitled “Understanding Bank-SME Relationships: The Influence of Adaptation and Fairness on Customer Satisfaction”. A sample of 45 interviews was conducted with SME owners and five with bank representatives from the three banks. This study highlights that banks are employing fairness in their strategy and encouraged employees to engage in relational interaction with their SME customers and as a result generated higher customer satisfaction. He also identified importance for banks to treat SME customers in an adaptable and fair manner.

2.1.3: Committee Report:

The Abid Hussain Committee on Small Enterprises (1997)³⁸ has enunciated new policy directions, recognizing the high growth potential of sections. The committee has recommended among other things: replacement of protectionism by promotion, focus on SSI clusters, increasing investment limits, exemption of excise limit, providing timely and adequate finance factoring services, venture capital, providing at least 70% of the total SSIs finance to tiny sector a separate loan for the SSI section, corporation of small sectors of small industries services institute and deregulation of controls. The committee suggested that, with the liberalisation of the country's economy and greater efforts to reach foreign markets. The need for reservation products for small and tiny enterprises would hinder achieving the economics of scale and level of quality necessary to complete

³⁷ **Veghlo, F. (2009)**. Understanding Bank-SME Relationships: The Influence of Adaptation and Fairness on Customer Satisfaction, *Ph.D. thesis*, School of Architecture and the Built Environment, Royal Institute of Technology, UK.

³⁸ **Government of India. Ministry of Industries. (1997)**. *Report on the Expert Committee on Small Enterprises*. New Delhi.

an open economy. They meant that small enterprises had to face greater competition from wages firms on hand and on other due to the deregulation of financial market resulting markets determined interest rates. They had to be higher interest cost compared bigger companies.

The Nayak Committee (1992)³⁹ set up by the Reserve Bank of India in December 1991 had mentioned in its recommendations that SSI units should gain 20% of its annual projected turnover by way of working capital. Following this, the RBI issued a number of guidelines advising banks to grant working capital to extent of 20% of projected annual turnover. An analysis of responses received shows that there has been an improvement over time in the grant of working capital loans to SSI units by the banks. While five years ago 35% of the respondents were getting between '10% to 20%' of projected yearly turnover as working capital loans, the proportion has improved to 42% at present. The banks would do well if they secure greater help to the respondents who have been getting less than 10% of projected annual return as working capital loans.

The S.P. Gupta Committee (2000)⁴⁰ presented a comprehensive picture of different aspects of small scale industry and recommended the fixing of investment limits for tiny (upto Rs.10 lakh), small (Rs.10 lakhs to Rs.1 crore) and medium (Rs.1 crore to Rs.10 crores) units, and emphasised requirement for priority sector lending by banks, reducing interest rate, technology improvement and price preference to the goods manufactured.

³⁹ **Small Industries Development Bank of India (SIDBI).** (1999). *Report on Small Scale Sector*, p.67

⁴⁰ **Government of India. Planning Commission.** (2000). *Report on the Study Group on Small Enterprise*, New Delhi.

2.2: Review of Articles Published in National Journal related to the existing study is given below:

Oommen, M. A. (1972)⁴¹, in this study, has observed commercial banks have played a magnanimous role in financing SSI in Kerala. Among the financial institutions, commercial banks were able to provide the major portion of the loan and advances to satisfy the requirement for meeting the fixed and working capital of SSI units in Kerala state.

Vastava, S. P. (1987)⁴², has attempted to examine the financial assistance to small scale industries. He found that the agencies such as IDBI, IRBI, SFCs, and SIDCs had mostly offered finance to SMEs. Author has concluded that among the agencies, only IDBI has played a significant role in providing finance to SSI units.

Dhond, A. V. (1994)⁴³, has scrutinized the functions played by Public Sector banks in Development of SSIs. In this study, he stated regarding the great importance of SSI units in the remarkable development of the economic condition of our country. According to him, the demand for Small Scale Industry units will be increased from setting up a multinational company in India. Therefore, he assured about the bright future of SSI units. As a result, he recommended commercial banks should take the necessary steps to increase the credit to Small scale units.

⁴¹ **Oomen, M. A. (1972)**. The Pattern of Financing Small-scale Industries in Kerala. *The Journal of the Indian Institute of Bankers*, XLIII (3), p.329.

⁴² **Vastava, S.P. (1987)**. Institutional Finance for Small Scale Industries. *The Indian Journal of Commerce*. XLI-3(152), 15-18.

⁴³ **Dhond, A V. (1994)**. Role of Commercial Banks in the Development of Small-Scale Industrial Sector, *IBA Bulletin*, XVI (12), 35-38.

Ramesha, K. (1994)⁴⁴, he has examined trends of Scheduled Commercial Banks (SCBs) and State Financial Corporation (SFC) in financing SSIs and also checked inter-state inequality among them. The growth rate of Financing to SSI units by the bank was comparatively less than the growth rate of populations. So, the author observes that banks had failed to meet the increasing credit requirement by the SSI. The study also notes that credit from SFCs was relatively higher than banks credit especially in case of the short term loan. But, the inter-state inequality was extended in both cases SCBs as well as SFCs. Further, a relationship between SCBs and SFCs was observed by the study.

Prasad, C. S. (1995)⁴⁵ the study stated that during the previous two decades of that time, there had been stable growth of finance credit provided by institutions to Small-scale industry. But the entrepreneurs of such sector were facing a constant problem of inadequate access to credit in both the cases of short term and long term loan. Therefore, the author accurately suggested that the commercial banks should take up the responsibility of expanding the credit facility and exploit the tremendous potentiality by maintaining and monitoring a fair relationship with entrepreneurs of small- scale industry.

Kumar, A. V. A. (1996)⁴⁶, in this study, has focused on changes of industrial structure and the growth of small scale sector by the effect of the state's promotional policies. Some disturbing trends were observed by him. The study indicated that only a few industries had been developed through the performance in terms of production output and export of

⁴⁴ **Ramesha, K. (1994)**. Institutional Credit to SSI Sector Role of Bank and SFCs in the Post Reforms Scenario. *The Asian Economic Review*, 1(1), 20-31.

⁴⁵ **Prasad, C. S. (1995)**. Financing Small Scale Industries: Some Recent Changes. *Yojana*, 08-10.

⁴⁶ **Kumar, A. V. A. (1996)**. Modern small industry in Karnataka: Growth and Structure. *Economic and Political Weekly*, 31(21), M15-M21.

SSI units was not satisfactory. The author suggested to developing some policies which will be helpful in the diversification of such sector in another district of that state.

Mitra, S.K. (1998)⁴⁷ in this study, two major set of factors were observed affecting the flow of loan fund to SSIs. The first set of factors were weak financial base, capital funds, improper maintenance of account book, inability to provide collateral security, delay in payments (especially in large units), lack of appropriation of financial information required by banks of financial institutions. Among the above factors, weak in the financial base was the strong reason for ultimate restraint to the entrepreneurs to bring loan. The second set of factors were attributed to operational restraints and perceptions of banks or financial institutions such as the administrative cost of the lending loan for the small borrowers, high mortality rate, sickness of SSI units. The study observes that interest rate was not enough motivating factor for the bank or financial institutions to invest in SSI units.

Kaveri, V.S. (1998)⁴⁸, has made attempt to consider the issues related to Banks credit in SSI. He observed in this study that due to liberalization with reforms, SSI units created a bright future. And SSIs need to modernize for which the sectors need to increase the credit from the banks or financial institutions. Therefore, the author suggested the entrepreneurs of this sector to maintain a good relationship with bankers. Further, he stated about the need for educating both, the SSI as well as the banks or financial institutions.

⁴⁷ **Mitra, S.K. (1998)**. Small Scale Industries, Credit Opportunities, and Marketing Assistance, *Small Enterprises Development, Management and Extension (SEDME) Journal*, 25(4).

⁴⁸ **Kaveri, V.S. (1998)**. Financing of Small Scale Industries-Issues and Suggestions, *SEDME*, 25(3).

Ramakrishnaiah, K. et al. (1998)⁴⁹, in their article, have attempted to examine the role of credit issued from APSFC in Andhra Pradesh towards Small scale industry. The article examined year wise, type wise, constitution wise, purpose wise and region wise sanctioned and disbursed loan provided by state finance corporations. The study found that a major form of a loan to SSI was short term loan but another form of the loan was marginal with the declined trend over the year.

Mukherjee, R., Das, P. K., & Bhattacharya, U. K., (1999)⁵⁰, the study attempted to examine growth performance units of SSIs running in West Bengal over the last 25 years. The study found the existence of considerable differences in respect of units and also employment generation across the districts. In addition, the study observed that year wise growth rate did not fluctuate much over the time. And no clear trend was noticed over the years in inter-district.

Rajendran, N. (1999)⁵¹, has examined financial support by financial institutions for development of SSI. With this, he has explored the problems faced by the SSI units of the research area. He found in this study that the main problem faced by this sector was non-availability of required financial assistance. Also, SSI sectors were faced so many other problems such as raw material problem, a marketing problem, technological problem, and administrative problem, etc. the study highlighted about the complicated procedures in

⁴⁹ **Ramakrishnaiah, K. et al. (1998)**. Institutional Finance to SSI: Role of APSFC. *SEDME Journal*, XI(4),3-5.

⁵⁰ **Mukherjee, R., Das, P. K., & Bhattacharya, U. K. (1999)**. Small-scale Industries in West Bengal, 1971–97: Data analysis for the study of growth. *Economic and Political Weekly*, 34(48), M 157- M162.

⁵¹ **Rajendra, N. (1999)**. Institutional Assistance for Small Scale Industries in Trichunapalli District. *SEDME Journal*, 26(2).

getting finance and advances from the promotional financial institutions and government agencies.

Neelamegam, R., & Inigo, R. M. (2000)⁵² in their study, have used a sample of 150 units drawn from three districts in Tamil Nadu like Coimborate, Madhrai, and Sivaganga. In the study, one of the findings was nearly half (49.3%) of units had availed loan from banks or financial institutions. Among sample 24 units did not avail any loan, they have used their own funds in the business. The study found only 16.7 percent of entrepreneurs have knowledge about venture capital assistance provided by public and private sector banks. 14 percent of entrepreneurs have knowledge regarding equity financial assistance scheme of SIDBI. Finally, it was found that backward districts were more dependent on the loan provided by different schemes than SSI units of developed districts.

Ahmed, B. (2000)⁵³ in his study, he has explained that one of the major functions of DIC (District Industrial Centre) was providing greater financial aid to small scale sector. In extending financial aid to the units, DICs are supported to bridge with public sector banks and other government department and agencies. The study shows that only a few entrepreneurs approached DIC obtaining financial assistance.

Kumar, A., & Garg, M. C. (2002)⁵⁴, has attempted to analyse financing to small scale sectors in Haryana by HFC. The study desired to analyse trends in loans sanctioned and disbursed by HFC to small scale sectors in Haryana during the post-reform period. Based

⁵² **Neelamegam, R., & Inigo, R. M. (2000).** Managing Small Industries with Strong Equity. Prajnan, XVIII(I), 7-15.

⁵³ **Ahmed, B. (2000).** The sickness of SSI. *Southern Economist*.38 (18), 19.

⁵⁴ **Kumar, A., & Garg, M.C. (2002).** Financing of Small Scale Industries in Haryana Financial Corporation (HFC) During Post Reform Period. *SEDME Journal*. 29(1), 44-55.

on secondary data, simple and trend growth rates had been used to analyse study. Authors finally concluded that most of the small scale units did not maintain an accounting system as desired by the Corporation.

Sunder, K., Gandhi, R. K., & Gangatharan, G. (2002)⁵⁵ in their research paper, have aimed to investigate the role of SIDBI for requirements of finance in SSI through its various loan programmes. The study found the performance of the bank in providing promotional and development assistance was not so remarkable. So, authors suggested that banks should expand their horizon of loan assistance for catering to diverse credit requirements of small scale units. The bank has to make stronger arrangement on its lending functions in areas i.e., equity assistance, project-related finance, and resource support to the institutions engaged in promoting SSI.

Subbiah, A., & Krishanan, K. N. (2003)⁵⁶ have studied financing of small scale industries by commercial banks operating in Virudhunagar district under Lead Bank Scheme. To fulfill the objective of the study, commercial banks were classified into three categories such as the State Bank Group (SB Group), Nationalized Commercial Banks (NCB), and Private Sector Commercial Banks (PVTBs). Authors have used Friedman's test to analyse the data which indicates that there was no significant difference among the categorized banks in lending to the small scale sector.

⁵⁵ **Sunder, K., Gandhi, R. K., & Gangatharan, G. (2002).** The Role of SIDBI in Financing SSI. *Southern Economist*, 27-29.

⁵⁶ **Subbiah, A., & Krishanan, K. N. (2003).** Financing SSI's by Commercial Bank's: A Case Study. *Southern Economist*, 6-15.

Alagappan, V., & Nagammai, R. (2003)⁵⁷, in this article, they have measured the perception of entrepreneurs of the SSI sector towards financial institutions. A sample of 120 entrepreneurs of SSIs was selected from the district of Madurai of Tamil Nadu. The study has revealed that entrepreneurs have an average level of satisfaction regarding lending practices of financial institutions. The reason for average satisfaction was need of more margin money in meeting their requirements and higher services charged by the financial institutions. In this regard, the authors suggested various measures to eliminate all these obstacles for the speedy growth of entrepreneurship in the SSI sector. The financial and supporting measures are essential for the growth of small scale units observed in this study.

Anbumani, V., & Pradeep, V. (2004)⁵⁸ have explored the financial structure and sources of capital for SSIs of Coimbatore, an industrially advanced district in Tamil Nadu during the period 1993 to 2003. All the registered small scale units with District Industries Centre (DIC) were included. After that, they have chosen 17 industry groups as per 2-digit classification of the NIC code of 1987 for this study. The study observed that main sources of capital were creditors, equity capital, reserve & 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 total invested capital of the selected companies increased over the study period.

⁵⁷ **Alagappan, V., & Nagammai, R. (2003)**, Entrepreneurs Response to Financial Assistance from Institutions. *SEDME Journal*, 30 (4), 25-32.

⁵⁸ **Anbumani, V., & Pradeep, V. (2004)**. Financial Structure in Small Scale Industries. *Organisational Management*. 20(2), 55-63.

Hussain, S. V. (2004)⁵⁹, the article has made attempt to explore the performance of small scale industry of India through five variables such as a number of units, investment, employment generation, output, and export. The study indicated that there was a steady growth in terms of all the above-said variables. In this respect, the author suggested that the entrepreneurs of SSIs should be prepared themselves to face the coming changes posed by the global trade and service and adhere to the global norms of trade and tariff, intellectual property rights on patents etc.,.

Chinnaiyan, P., & Nandagopal, R. (2005)⁶⁰, in their study, have explained the contribution of accessibility of bank loan to the SSI units in terms of production, employment generation and growth in units after the implementation of new industrial policy 1996. The study calculated the generated employment which was 185.6 lakh by SSI units constitutes 59.8 percent of total employment in the organized sector of the country. The inability of small scale entrepreneurs to scout for funds results in slowing down their growth, lowering their capacity to internally generate funds thereby leading to the lowering of the retention and recycling of the same. It is suggested apart from financial documents, selective entrepreneurial traits could also be considered for sanctioning loans. It could also be of help for many of first-generation entrepreneurs who need institutional support as they do not have their own financial backup. The study shows that the type of ownership of the firm, the age of the units and the socio-economic groups significantly influence the accessibility of bank finance.

⁵⁹ **Hussain, S. V. (2004)**. Performance of small scale industries in India and the challenges ahead. *Indian Journal of Industrial Relations*, 39(3), 391- 401.

⁶⁰ **Chinnaiyan, P., & Nandagopal, R. (2005)**. Accessibility of bank finance by SSI - A Case Study. *Southern Economist*, 43(21), 24-26.

Pansare, R. R. (2005)⁶¹ has taken a study on trends in financing SSIs in India. Also, it was found that 31 lakh SSIs existed throughout the country, the majority (80.5%) of them were proprietary concerns whereas 16.8 percent were functioning as a partnership and private limited companies. He concluded that finance to SMEs was provided mainly by commercial banks.

Sivasankar. P. R., & Ekambaram. K. (2006)⁶², in their article, have evaluated public sector banks' role in financing, promoting and development of Small-Scale Sectors in India. The study found that commercial banks play a continuous significant role in financing to small scale industry, but the growth rate of credit was comparatively less than the growth rate of production output of the SSI sector. Measures to increase the supply of bank credit to Small Scale Sectors will be short-lived and less efficient as bank credit ultimately passes through non-institutional credit channels. They have suggested that there was a grim need to strengthen the financial credit flow by the public sector banks for speedier development of SSI for the success of the economy.

Rao, K. S. R., Das, A., & Singh, A. K., (2006)⁶³, The article has made attempt to examine trends in the sector-wise allocation of Banks credit to Small Scale Sectors vis-à-vis Non- SSI in the post-reform period. The study also focused to understand the changes in bank loan to the SSI sector in terms of bank group wise and influence of size, the performance of bank credit to the Small scale industry. On basis of the result of this study, authors suggested a high occurrence of bad loan arising among the SSIs could be

⁶¹ **Pansare, R. R. (2005)**. Trends in Financing SSI Sector in India. *Southern Economist*. 44(14), 5-6.

⁶² **Sivasankar. P. R., & Ekambaram. K. (2006)**. Role of Public Sector Banks in the development of Small Scale Sector in India. *Banking Finance*, 5-8.

⁶³ **Rao, K. S. R., Das, A., & Singh, A. K., (2006)**. Commercial Bank Lending to Small-Scale Industry. *Economic and Political Weekly*. 41(11), 1025+ 1027-1033.

major reasons for declining the shares of the loan to SSI sector provided by commercial banks.

Prasad, C. S. (2006)⁶⁴, in this study researcher concluded in respect to his observations that the flow of institutional finance is directly linked with the creditworthiness of small scale units. The study observed that for small enterprises, due to size and also a low capital investment, it was very difficult in satisfying conditional lay down by the Public Sector Banks, particularly in establishing the viability of the project, meeting collateral requirements and making timely repayment of loans.

Chockalingam, S. M., & Raj, J. S. (2007)⁶⁵, in their article, have suggested that entrepreneurs of the SSI sector should submit all the required information and necessary documents at a time for the avoidance of the not necessary delay in processing of the loan sanction decisions. He has also given clear instructions to the entrepreneurs of small scale industries before and at time of submitting their application for getting loans from the banks.

Balasubramanian, N. (2007)⁶⁶, in his article, has identified that Public Sector Banks reassessed its lending strategy and brought innovation to leverage technology, revamp the system and develop the use of more efficient credit assessment tools for faster credit dispensation. Further, the author observed that the government had taken a decision to open a MSME specialized branch of each bank in each district. The aim of opening this

⁶⁴ **Prasad, C, S (2006)** “Micro, Small and Medium Enterprises Financing in India-Issues and Concerns”, in the *Cab Calling*, pp. 35-40.

⁶⁵ **Chockalingam, S. M., & Raj, J. S. (2007)**. Trends in the Flow of Bank Credit to SSI Sector. *Organisational Management*, XXIII(3), 14-17.

⁶⁶ **Balasubramanian, N. (2007)**. Expanding Role of SIDBI. *The Hindu, Survey of Indian Industry*, 70-73.

type of branches had been providing fair service to the MSME sector. The bank branches had been also advised to provide 60 percent or more advance to the MSME sector.

Namasivayam, G., & Ganesan, S. (2008)⁶⁷ have attempted to analyse commercial banks financing in SSIs operating in the district Madurai, Tamil Nadu under lead bank scheme. Authors have used statistical tool namely Friedman's test to measure the performance of loan grants to SSI units. The result of the study indicated the absence of any prominent difference in the performance of banks of different classifications operating in the Madurai district in lending to the SSIs during the study period. The performance scores discovered that the SBI 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 banks in private sector (33%).

Singh, S. (2008)⁶⁸ has conducted a survey to investigate the service quality provided by Public Sector Banks' (PSBs) to Small-Scale Industries (SSIs). He assured that the relationship between bank and customer is not a one-time affair. It is a relatively enduring and permanent one. The study disclosed that the service and satisfaction sare determined by branch's location and design variety of services, systems and procedures, delegation and decentralization, mechanization and computerization, complaint redressal, skills, attitudes and also responses of staff.

⁶⁷ **Namasivayam, G., & Ganesan, S. (2008).** Analysis of Financing Small Scale Industries by Commercial Banks in Madurai District, Tamilnadu using Friedman's Test. *Finance India*, 22(3), 957-965.

⁶⁸ **Singh, S. (2008).** A study of the Quality of Services Provided to SSI Customers by Public Sector Banks. *IUP Journal of Bank Management*, 7(3), 71-84.

Bargal, H., Dasmishra, M., & Sharma, A. (2009)⁶⁹, in their study, they have evaluated the performance of SSIs in terms of various parameters such as a number of units, employment generation, investment, productivity and export in pre and post-liberalization period. Also, they tested a bi-directional causal relationship between export Vs GDP and production output Vs GDP. The study found that the growth of various parameters of Small-Scale Industry had declined in the pre-reform period and the cause and effect relationship was not statistically significant. In the period of post-liberalization, with the incorporation of IT, a lot of changes were seen in the sector. But till that time, SSI was not significantly contributed to overall GDP stated by the authors.

Sana, A. K., & Kanrar, S. (2009)⁷⁰, in their study, they have attempted to analyse the effect of state financial corporations, especially the WBFC for growth, and also the development of MSMEs. The study observed that WBFC was playing an active role in the development of Micro, Small, and Medium Enterprises during the study period but few districts were not getting adequate financial assistance. Authors thought regarding reasons behind this, it might be insufficient numbers of encouraging entrepreneurs and probability to set up a new project in these districts. So, authors suggested organizing some short term training courses and some awareness program with help of districts industries centre of that districts.

⁶⁹ **Bargal, H., Dasmishra, M., & Sharma, A. (2009)**. Performance analysis of small scale industry – A study of pre-liberalisation and post-liberalisation period. *International Journal of Business and Management*, 1(2), 17-26.

⁷⁰ **Sana, A. K., & Kanrar, S. (2009)**. Role of state financial corporations in the development of Micro, Small, and Medium Enterprises: A study with special reference to West Bengal Financial Corporations. *Business studies*, XXX, 100-116.

Ganeshan, S. (2009)⁷¹, in the article pointed out that public sector banks role in the small-scale sector was not restricted merely to the provision of finance in the article. The author suggested that the banks have to evaluate the feasibility of the project and assist the entrepreneurs to select the right type of project. It was also emphasized that adequate and timely credit at a considerable rate of interest, without collaterals was an essential requirement for small industry in India.

Popli, G. S., & Rao, D. N. (2009)⁷², in their article, they have attempted to assess service quality offered by Public Banks to SMEs. The study found that the Modernization and Communication affect the services mostly and there was a need for training to the staff for development of service to SMEs entrepreneurs. The service standard provided by private banks is greater comparatively than Public Sector Banks, based on the majority of respondents, it was revealed credit flow to SMEs was not enough and Government will be requested to initiate necessary means for making the required funds available easily on convenient terms. Also, the policies for the SME Sector of other countries were far better than the policies of India. It was claimed by the majority of respondents that there had been a delay in loan application processing due to non-cooperative nature of staff members of the bank. Generally, the banks provide finance against security, without out any security the bankers are not interested to provide loan and advance said by 86 percent of respondents.

⁷¹ **Ganeshan, S. (2009)**. Institutional Finance for Small-Scale Industries-An Overview. *Business and Travel Times*, 2(7), 46-47.

⁷² **Popli, G. S., & Rao, D. N. (2009)**. Service Quality Provided by Public Sector Banks to SME Customers. *SSRN*, 1-24.

Vetriel, K., & Krishnan, S. J. R. (2010)⁷³, in their study, have observed a growing trend in terms of number, investment and employment in SSI units exists in the study area. They concluded that, the government have also been upholding interests of the entrepreneurs to begin new SSI units by way of providing financial assistance and training programme through industrial promotional agencies (IPAs) at state as well as national level in order to generate employment, output and export opportunities which would result in eradicating poverty in the country.

Manohar, S. J., & Ravindra, N. S. (2011)⁷⁴ in this article, the objective was to discover the perception and receptivity of bank the small-scale industry units were used for financial support in the business. Addition, they have attempted to explore the factors affected the choice of bank. The analysis was done with respect to factors circling brand phenomena like activity, loyalty, awareness, association, and attitude. The significant finding in the study was the personal contact with one or more bank employees which leads to loyalty. It was also observed that respondents were happy with the performance of their bank as the service of banks covered the requirements in their Business.

Sehgal, G., & Aima, A. (2011)⁷⁵, the study informs that due to lack of collateral and financial data, SMEs have faced in raising funds from banks in the public sector. Meanwhile, microfinance loans were also not much in quantity to satisfy the capital

⁷³ **Vetriel, K., & Krishnan, S. J. R. (2010)**. Role of SSIs in Eradication of Poverty: A Micro Study. *Southern Economist*, 49(7), 33-36.

⁷⁴ **Manohar, S. J., & Ravindra, N. S. (2011)**. Perception and Receptivity of Branding by Banks by Customers of Small Scale Industries in Bangalore. *Indian Journal of Research in Commerce and Management*, 1(3), 48-52.

⁷⁵ **Sehgal, G., & Aima, A. (2011)**. Microfinance for SMEs: Prospects, Challenges, and Implications. *International Journal Research in Commerce, Economics and Management*, 1(4), 37-43.

requirement by SMEs. As a result, they were raising funds from informal sources by paying high interest or from relatives. They also suggested that the bank should use well-defined credit analysis techniques to support SMEs for a long time. Also, they suggested that the bank should understand actual conditions of the SMEs by a careful look at each customer instead of focusing on only financial figures, and deal their operations systematically and efficiently.

Ghatak, A. (2012)⁷⁶ has attempted to recognize problems encountered by SMEs in accessing finance and explained principal factors which act as a driver for the financing decisions. The author found that mainly the banks were the primary sources of finance for SMEs. Both, small as well as large banks were playing a significant role in financing SMEs. Also, the study noted that a lack of business experience was the main barrier to SME lending. The study explored the factors like profit earning, availability of collateral, payment history, preparation of financial statements stages of development and feasibility of the proposed project which was acts as a driver for the financing decisions.

Suresh, A. S. (2012)⁷⁷ in his article, had mentioned that MSMEs had been facing problem in obtaining finance for marketing, technology, research & development, infrastructure, etc, MSMEs had been unable to afford the high investment. To remove the finance problem, the banks have enhanced their hand by providing various facilities to both manufacturing and servicing sector. The study described the activities of MSME schemes of Canara Bank. It showed the increasing and decreasing trend in the functioning

⁷⁶ **Ghatak, A. (2012)**. A study of financing of SMEs in India. *Research Journal of Social Science and Management*, 2(7), 104-109.

⁷⁷ **Suresh, A. S. (2012)**. Study on Assessing the Performance of Micro, Small and Medium Enterprise of Canara Bank. *International Journal of Exclusive Management Research*, 2 (7), 1-8.

of the MSME schemes of Canara Bank. The bank always caters to small enterprises and when the small enterprises turned into medium enterprises, the bank's role appeared to be limited. This has made it tough to target the same companies again as the scope of Canara Bank is limited to small enterprises.

Sasikumar, G., & Panniyaseelan, R. (2012)⁷⁸, in their article, have measured the Small entrepreneurs' need of bank service and relative significance of these needs. They identified the needs of bank service and also problems encountered by the entrepreneurs with their banks. The study had been based upon primary data collected from 120 entrepreneurs of MSEs running at Cuddalore town who were the respondents. Respondents viewed their dissatisfaction to taking long time process loan and inadequacy of quantity of loan sanctioned. No assistance was the key problem of bank employees. Level of satisfaction was very low towards banking services.

Ganguly, S. (2013)⁷⁹, the article dealt with the significance of MSMEs in West Bengal. He stated that the West Bengal Government has developed so many schemes for this sector by getting help from Indian Government But still then, the entrepreneurs were facing so many problems such as lack of capital adequacy; difficulties of access of global market; the huge cost of credit; inadequate of storage and inadequate infrastructure facility, etc. It is stated that because of government effects have increased their competitiveness among this sector to a certain extent in the state as well as national level. The MSMEs (especially micro as well as small entrepreneurs) was not properly ready to

⁷⁸ **Sasikumar, G., & Punniyaseelan, R. (2012).** Banking Services Towards MSMEs in Cuddalore: A Customer's Perspective. *Journal of Commerce and Management Thought*, 3(2), 264-280.

⁷⁹ **Ganguly, S. (2013).** Micro, Small and Medium Enterprises in West Bengal: An Evaluation. *International Journal of Research in Commerce and Management*, 4 (10), 136-141.

enter in the foreign market. The study suggested, it needs proper coordination among the different level and implementation of such schemes in a proper way, So, that the schemes can be avoided by each group of entrepreneurs.

Mishra, B. (2013)⁸⁰, this study analysed problems faced by the MSMEs in Indian and highlighted some strategies to eliminate the obstacles. The study found one of major problem credit or finance which is a big issue for almost all the business. He observed that credit gap was huge, So, the establishment of dedicated stock exchanges for the SMEs, factoring services, and proper monitoring implementation of the various announced scheme by government recommended bridging the credit gap.

Patel, J. N., & Bhatt, A.K. (2014)⁸¹, this study analysed the latest trend and present status of financial support and innovation for growth and also the development of MSME Sectors. The study revealed that access to finance was the major problem for the growth and development of MSME Sector. The author found that many MSMEs did not possess sufficient funds to develop marketing tactics and many of them were not aware of contemporary low cost marketing strategies. To overcome problems of financial issues, authors recommended MSME should need to adopt innovative approach and government should take effective measures to create an enabling environment in order to promote MSMEs and also support them to survive in the competitive global market.

⁸⁰ **Mishra, B. (2013)**. Financing of Micro, Small, and Medium Enterprise: challenges and strategies. *Asia Pacific journal of management and entrepreneurship research*, 2(2), 129-138.

⁸¹ **Patel, J. N., & Bhatt, A. K. (2014)**. Latest trends in Financial Support and Innovative for MSMEs growth and development in Delhi /NCR. *Global Journal for Research Analysis*, 3 (7), 198-200.

Ravi, R., & Roy, A. (2014)⁸², in this study, have focused on realizing the importance of MSME Sector as an engine growth in Indian economy. They have estimated the effect of micro-financing in the performance of Micro, Small, and Medium Enterprises in India. The study found that the source of initial capital invested in business was mostly entrepreneurs' own personal fund. It was also observed in this study that 68.2 percent of respondents do not like co-financed by the bank in their business but rest 31.8 percent respondents invested bank finance in their business. Majority of respondents agreed that regular participation in microfinance programmes helps to enhance their business.

Srinivas, K. T. (2014)⁸³, the study has tried to know financial assistance from one of lending nationalized Canara Bank to the MSMEs. Worldwide, the MSMEs had been acknowledged as the engine of economic growth and for promoting fair development. The study concluded with the observation of continuously supporting the MSMEs. Also, concluded financial assistance was commendable and worthwhile.

Selvaraj, N., & Kumar, P. B. (2015)⁸⁴ have attempted to analysis flow of financial institutional credit to Small-Scale Sector in India. The study observes that Central Government, as well as State Government, established several institutions to support the SSI sector. These institutions had been offered different schemes to relieve the financial burden of SSI units. The study discovered a comprehensive picture of the growing trend of financial support from different institute to SSI unit. Authors suggested having

⁸² **Ravi, R., & Roy, A. (2014).** A study on the effects of Micro Financing on MSMEs in Karnataka. *International journal of commerce, business, and management*, 3(1), 161-169.

⁸³ **Srinivas, K. T. (2014).** Financial Assistance to MSMEs with reference to Canara Bank. *International Journal of Commerce, Business and Management*, 3(4), 578- 588.

⁸⁴ **Selvaraj, N., & Kumar, P. B. (2015).** Financial Institutional assistance and support to small-scale industries in Tamil Nadu- A view. *Intellectual Property Rights: An open access Journal*, 3(2), 01- 10.

specialized branches in each district to provide them an adequate delegation of power so that they can avoid a number of layers hierarchy in granting loan quickly.

Sen, K., & Salim, S. (2016)⁸⁵, the study dealt with the importance of MSMEs in West Bengal. They examined the performance with respect to a number of units, investment, and employment generation. They have also analysed regional disparity through district wise performance. The study observed that existence of regional disparity among districts of West Bengal in respect of MSME units, investment, and employment. The study concluded with some suggestions for industrial clusters and the government. Industrial cluster needs for ensuring the common facilities which will be helpful to reduce the operating cost; increase the competitiveness and develop skills for the sector. Also, Government needs to enhance financial support which will be strongly boosting the development of state industry.

Das, P., & Das, B. (2017)⁸⁶, this research paper made attempt for exploring the operational and economic characteristics of Micro Manufacturing Enterprises (MMEs) and their status of development in particular in the context of West Bengal. On basis of 67th round NSSO unit level data, the study found that MMEs in West Bengal have made an important contribution towards the employment generation and output of the state economy. Approximately 10 percent of the output of India produced in the West Bengal state. The productivity of MMEs was comparatively higher than the OAEs (Own Account

⁸⁵ **Sen, K., & Salim, S. (2016)**. Micro, small and Medium Enterprises in West Bengal- An interdistrict analysis. *International Journal of Science and Research*, 5(2), 225- 230.

⁸⁶ **Das, P., & Das, B. (2017)**. Characteristics and status of growth of Micro Manufacturing Enterprises in West Bengal: An analysis based on NSSO unit level data. *Journal of National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation (MoSPI), PDOS57XXXII (3 & 4)*, 01-24.

Enterprises) but the profit rate was comparatively higher in OAE than the MME. A large portion of MME was expanding their business growth in this state which was significantly realized in this study for higher productivity, highly profitable, rural located, establishment and perennial enterprises. Though, the government assistance did not significantly affect the states of growth. The study suggested the government should invest in the introduction of new technology and provide them with the proper training.

2.3: Review of Articles Published in the International Journal relating to the present study is given below:

Krongkaew, M. (1988)⁸⁷, in his article, has analyzed the status and growth of Medium and Small Industries in Thailand where initially the emphasis of industrial development was on import substitution and the government took certain promotional actions to promote private investment both from within and outside the country to enlarge industrial development.

Jain, L. C. (1990)⁸⁸, in his article, has identified that the financial institutional assistance to small-scale industry would be to set up the right type of financial institutions and make available infrastructure facilities to small enterprises. The author stated that there is a need for a liberal and sympathetic approach to administrating the policies of the government.

⁸⁷ **Krongkaew, M. (1988)**. The Current Development of Small and Medium Scale Industries in Thailand. *Asian Development Review*, 6(2), 70-95.

⁸⁸ **Jain, L. C. (1990)**. Assistance of Small Industry. *Eastern Economist*, 80(12), 203.

Sarma, M. S., & Lingam, P. R. (1991)⁸⁹, in their article, have identified on effectiveness of bank financing to SMEs, with a vision to examining the capacity utilization of these industries to generate funds required for repaying loans with interest taken from the banks. The study aimed to observe the extent of bank financing to small-scale units located in Warangal district. The authors had used the t-test and chi-square test for measuring effectiveness efficiency respectively. The study concluded that assistance from various financial institutions and commercial banks for working capital has been insufficient. Lack of insufficient capital was a major hindrance to increasing the capacity utilization.

Ang, J. S. (1992)⁹⁰, in his article, has made attempt to differentiate problems of finance of the private small businesses from their bigger counterparts. The Study explored so many types of complexities such as shorter expected life, the presence of estate tax, intergenerational transfer problems, and prevalence of implicit contracts exists in this private business. Though, the finance problem for small businesses was indeed very rich. There was no option of single prescription for the optimal financial decision in various kinds of small businesses start-up or new ventures versus established or matures ones. The study concluded that if the fact is recognized, the challenge for the finance researcher is to, in one way; provide a more detailed theoretical model and empirical testing for each type and also in another way, to continuously synthesize results of small sectors in general.

⁸⁹ **Sarma, M. S., & Lingam, P. R. (1991)**. Effectiveness of Bank Financing to Small Scale Industries. *Laghu Udyog Samachar*, 08-12.

⁹⁰ **Ang, J. S. (1992)**. On the Theory of Finance for Privately Held Firms. *Journal of Small Business Finance*, 1(3), 185-203.

Tambunan, T. (1992)⁹¹, in his article, has examined the relative pattern of changes and developments of small in business sectors in Indonesia in the previous two decades and possible factors affecting their growth. Also, the study has reviewed the relative importance of these manufacturing sectors in terms of income generation.

Hamilton, R.T. & Fox, M. A. (1998)⁹², focused on debt versus equity preferences stated in the initial and ongoing financing among small and medium firms' proprietor. They pointed out a gap in the supply of institutional equity capital fund from existing local research. Also, the owners had no clear concept about the appropriate form of capital i.e., debt or equity, they dealt with unrealistic expectations involving of new equity. As a result, the owners of firms burdened with excessive levels of debt. The study observed that deducted gaps in the supply of bank loan to the firms might be in part the outcome of success rather than the cause of financing decisions of the firms' owners.

Pissarides, F. (1999)⁹³, in his article, has made an effort to know that lack of fund was the main obstacle for the development of SMEs or not. The observations of this study, he has argued that credit was one major constraint to constitute growth of Small Medium Enterprises. These credit constraints operate in different ways. In most transition countries, underdeveloped market forced the entrepreneurs to depend upon own-financing or taking from relatives and friends. It was also found that lack of availability of long-term credit from financial institutions forced the SMEs to rely on high cost Short-term finance.

⁹¹ **Tambunan, T. (1992)**. The Role of Small Firms in Indonesia. *Small Business Economics*, 4(1), 59-77.

⁹² **Hamilton, R.T., & Fox, M.A. (1998)**. The financing preferences of small firm owners. *International Journal of Entrepreneurial Behavior & Research*, 4(3), 239-248.

⁹³ **Pissarides, F. (1999)**. Is Lack of Funds the Main Obstacle to Growth? EBRD's Experience with Small and Medium Sized Businesses in Central and Eastern Europe. *Journal of Business Venturing*, 14, 519-539.

Bitler, M. P., Robb, A. M., & Wolken, J. D., (2001)⁹⁴, in this study, they have aimed to provide information on credit accessibility for small businesses, use of financial services by them, and sources of those services. They also pointed out to understand the factors and the effects of those factors in the Small business financing require a thorough analytical framework that accounts for the financial characteristics of the borrowers and the markets in which they operate.

Bukric, V. & Bartlett, W. (2003)⁹⁵, in their survey, they have aimed to discover the critical barriers facing by small business in development and growth in Slovenia, Bosnia, and Macedonia. This research was carried out based on 200 SMEs running in Slovenia. The study highlighted some specific issues connected to financial constraints such as the huge cost of capital, high-security requirements and bank bureaucratic procedures as disturbing constraints. It has also identified some key barriers to grow the business include other factors linked to financial constraints like customers' delay in payment of bills and inadequate information on finance. The study suggested that continuing need to develop and implement more effective policies to ease financial constraints facing SMEs and to thereby enhance job creation, competitiveness, and innovation in Slovenia.

Chawla A.S., Batra, G. S., & Dufatanye, J. A. (2004)⁹⁶, has attempted to analyze the financing practices and difficulties met by SMEs. This study primarily focused on

⁹⁴ **Bitler, M. P., Robb, A. M., & Wolken, J. D., (2001)**. Financial services used by small businesses: evidence from the 1998 survey of small business finances. *Federal Reserve Bulletin, Board of Governors of the Federal Reserve System (U.S.)*, 183-205.

⁹⁵ **Bukric, V. & Bartlett, W. (2003)**. Financial Barriers to SME Growth in Slovenia. *Economic and Business Review for Central and South – Eastern Europe*, 5(3), 161-181.

⁹⁶ **Chawla A.S., Batra, G. S., & Dufatanye, J. A. (2004)**. Financing Practices and Problems of Small and Medium Enterprises in Rwanda. *SEDME Journal*. 31(4).

investigating the pattern of finance and its utilization by the SMEs in Rwanda. The study was on basis of a sample of 50 SMEs operating their business in Rwanda. The authors suggested on analysis of this study that the financial institutions, apart from providing loans and offering advanced services, should introduce various financial services such as factoring, venture capital, leasing and hire purchasing, so that the SMEs can have access to more sources of finance.

Kuzilwa, J. A. (2005)⁹⁷, the study examined the role of credit from a Tanzanian government financial source in generating entrepreneurial activities. The study was based on case studies with a sample survey of entrepreneurs who have gained access to credit from the government financial source. A substantially increased output was observed following access to credit in this study. The study findings showed that the proprietors of enterprises received business training and extension advice performed superior to those that did not.

Veenapani, A. (2005)⁹⁸, in her article, stated that the government should take a step to protect the local SME sector from World Trade Organisation (WTO) regime. Also, she pointed out that if the bank employees enhance their hand by improving helping tendency, positive attitude, interpersonal relationship, and proper understanding of entrepreneurs then it could go a long way to improve the SME sectors in the global competitive market.

⁹⁷ **Kuzilwa, J. A. (2005)**. The Role of Credit for Small Business Success: A Study of the National Entrepreneurship Development Fund in Tanzania. *The Journal of Entrepreneurship*, 14(2), 131-161.

⁹⁸ **Veenapani, A. (2005)**. Strategic Repositioning of SMEs for Globalizing India. *SEDME*, 32(3), 35-37.

Inegbenebor, A. U. (2006)⁹⁹, this study has found that SSIs Equity investment was the latest schemes which were designed to deal with the problem of financing faced by SMEs in Nigeria. According to the latest schemes, all banks have to be reserve 10 percent of their pre-tax profit for the purpose of equity investment in the small and medium sector. The study was mainly directed on the responsibility of entrepreneurs and examined regarding their awareness, readiness, and capacity to access and utilizes the finance in their business. A sample of 1255 firms was drawn from the economic survey of Small and Medium Scale industries in the South Zone of Nigeria. Results of the analysis revealed that the level of awareness of the scheme was only 39 percent and the managerial capacity in the firms was very high but their capacity to utilize the fund was so weak.

Stephanou, C., & Rodriguez, C. (2008)¹⁰⁰, the aim of the study was to examine the trends and changes of policies in financing by banks towards the small and medium enterprises in Columbia. This research was motivated by the well-documented financing gap for SMEs, whose causes were complex and multi-dimensional. The authors have analysed the data collected from the sample of bank representative authorities through the interview. Bank financing to SMEs has become a strategic segment for credit institutions in Colombia. Till that time, the models of business and risk management for SMEs lending were underdeveloped, but greater sophistications was expected as the market matures.

⁹⁹ **Inegbenebor, A. U. (2006)**. Financing Small and Medium Industries in Nigeria – Case Study of the Small and Medium Industries Equity Investment Scheme (SMIEIS): Empirical Research Findings. *Journal of Financial Management and Analysis*, 19(1), 71-80.

¹⁰⁰ **Stephanou, C., & Rodriguez, C. (2008)**. Bank Financing to Small and Medium Sized Enterprises (SMEs) in Columbia, *World Bank Policy Research Working Paper No. 4481*. World Bank, Washington.

Torre, A., Peria, M. S. M., & Schmukler, S. L., (2008)¹⁰¹ in their study, the common knowledge in academic and policy circles argued that the large and foreign banks are not generally interested in SMEs services then the small and niche banks have the advantage of doing this because they can exceed SME relatively through a relationship lending. This paper revealed that this opinion has a gap between what to do and what was actually going on. SMEs were the main and strategic business bank but the SMEs were not good to expand their connectivity. The author suggested that the development of bank involvement with SMEs in various promising markets was not led by small or niche banks or this was not highly dependent on lending relation. Though, all types of banks were catered to SMEs and larger enterprises.

Wu, J., Song, J., & Zeng, C., (2008)¹⁰², has examined empirical evidence of small business financing in China. N this study, A sample of 60 small businesses was drawn from three cities in China. The study has revealed that at the initial stage, small and medium entrepreneurs in China had used their own sources of fund and finances from relatives and friends. But at the later stage, banks have provided finance to the SMEs in China as the banks need to fulfill various formalities by the SMEs such as taxation submission reports, accounting and credit rating scores documentations, etc.

¹⁰¹ **Torre, A., Peria, M. S. M., & Schmukler, S. L. (2008).** Bank Involvement with SMEs: Beyond Relationship Lending. *Journal of Banking and Finance*, 34, 2280-2293.

¹⁰² **Wu, J., Song, J., & Zeng, C., (2008).** An Empirical Evidence of Small Business Financing in China. *Management Research News*, 31 (2), 959-975.

Atieno. R., (2009)¹⁰³, the study has explored whether the associations or and linkages between the Micro and Small Enterprises and financial institutions affect their access to financial services and MSEs' Performance. The nature of association or linkages between MSEs and financial institutions was analysed on the basis of a sample of data collected from small-scale enterprises from the two urban centres of Kenya. In addition, analyzed the effect they have in the performance of MSEs. The study was found that small-scale enterprises have different, limited forms of networks among themselves, and linkages with financial institutions. Some of these linkages were reflected in the performance of MSEs. The author has concluded that the need for policy to make stronger the networks between the financial institutions and MSEs, and to enable these access resources to overcome some of the constraints they face.

Yadav, M. & Kumar. A. (2013)¹⁰⁴, in their article, has examined the pattern of financing provided by financial institutions to the entrepreneurs in small-scale sectors. This was a survey-based study of 250 enterprises selected from the state of Haryana. The study highlighted the existence of a significant variation between the variables related to profiles of entrepreneurs and variables relating to financial pattern extracted for the study. Majority of the entrepreneurs have used own source of Finance and they were very much aware of the available source of finance. Authors have suggested providing more guidance from the financial institution side to the entrepreneurs. So that, the entrepreneurs will have more information regarding the source of finance and they may be capable to utilize the sources of finance offered from financial institutions more seriously.

¹⁰³ **Atieno, R. (2009)**. Linkages, access to finance and the performance of small-scale enterprises in Kenya, *Research paper / UNU-WIDER, No. 2009.06, UNU-WIDER, Helsinki.*

¹⁰⁴ **Yadav. M., & Kumar. A. (2013)**. Study of Financing Pattern by Entrepreneurs of Small Scale Sector, *I J A B E R, 11(2), 343-353.*

Bassey, N. E., Asinya, F. A., & Amba, E. A. A. (2014)¹⁰⁵, in this study, have examined the crash of bank lending as well as macroeconomic policy on the growth and enlargement of small-scale enterprises in Nigeria. The study employed a time series data analysis obtained from the central bank of Nigeria for the period from 1992 to 2011. The empirical findings of this study have shown a positive significant relationship existing between the credit finance of commercial banks and industrial capacity utilization while a negative significant relationship exists between the exchange rate and the growth of Small Scale Enterprises. Unexpectedly, government expenditure and the interest rate charged by banks has failed to explain the variation in the growth of Small Scale Enterprises in the study period under this investigation. This informed the need to pursue policies that would ensure access to short, medium and long-term bank credit finance at the concessional interest rate and less stringent conditions, ensure proper funding of the sector by government, enhance the install capacity utilization rates of the manufacturing sector and reduce exchange and interest rates as the way out.

Moses, O., Alexander, O., & Churchill, R.Q. (2014)¹⁰⁶, in their study, have stated that Micro and small-scale enterprises have been accepted as an instrument of economic growth and development all over the world. No developing country has made tremendous efforts and set up policies to improve the capacity of micro and small scale enterprises (MSEs). The phenomenal growth of SMEs in Ghana was mainly due to the people's intention to be self-employed and not because it was easy to establish or manage. Most importantly this

¹⁰⁵ **Bassey, N. E., Asinya, F. A., & Amba, E. A. A. (2014)**. Bank Lending, Macro Policy Variables and the Growth of Small Scale Industries in Nigeria. *International Journal of Business and Social Science*, 5(9(1)), 284-290.

¹⁰⁶ **Moses, O., Alexander, O., & Churchill, R.Q. (2014)**. Micro and Small Scale enterprises development in Ghana. *European Journal of Accounting Auditing and Finance Research*, 2(6), 84-97.

study observed that financial constraints and lack of management skills were hampered the efficient and effective performance of micro and small-scale enterprises in Ghana. On the basis of this observation, the authors recommend that government and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators on how to plan, organize, direct and control their businesses, and that micro, small and medium enterprise operators' should device effective marketing strategies and good management customers relations at all times.

2.4: Research Gap:

Most of the studies focused on the use of finance available from commercial banks overgrowth, development, viability, and survival of small scale enterprises. Apart from these several other works upon banking service towards different sectors has been done by different renowned researchers. But no work is specifically undertaken to identify and analyse the role of loan taken from public sector banks towards financial restructuring and financial strengthening and development including capital formation and profit growth of MSMEs. No such comprehensive model is available which take both the financial and Capital formation simultaneously for measuring the overall financial performance of MSMEs.

Also, an exhaustive analysis of the studies as mentioned in this review though explore the various areas related with the role of institutional finance upon SMEs/MSMEs and interrelated link in between these two, hardly any work is observed which pinpoints the state of affairs of the finance thus available to the SME/MSMEs. Institutional finance is the part of the finance which the institutional authorities siphon from total economic system of the country foregoing their opportunity cost and share for the growth of

SME/MSMEs. But it needs to be strictly vigilant of the performance of MSMEs in the growth of this finance which has lost its opportunity cost. If this is not done, the viability of this investment will be lost with an ever-growing trend and the finance thus invested will have no prospects of any growth.

To justify the utility and utilisation of the PSBs loan service as identified in this research work, a model is being proposed and to be developed. This model is expected to explore specifically how the PSBs fund will be helpful to achieve the performance of MSMEs with respect to capital formation and other aspects of financial performance.