

Study on the Bank Finances to Small Scale Industries in Theni District in Tamil Nadu

Selvaraj N^{1*} and Balajikumar P²

¹Assistant Professor of Commerce, Saraswathi Narayanan College, Madurai, Tamil Nadu, India

²Assistant Professor of Management, Saraswathi Narayanan College, Madurai, Tamil Nadu, India

Abstract

Finance is an important input for an industry. For a small scale industry the need for finance is very essential due to its limited resources. The sources of finance for small scale industries are of two types-internal and external. The role of commercial banks in the process of economic development is well recognized. The year 1969 was a major turning point in Indian financial systems when 14 major banks were nationalized. Different national and state level institutions operating in the country for meeting the credit requirements of the SSIs sector include Small Industries Development Bank of India, Commercial Banks, Regional Rural Banks, Co-operative Banks (State, Central and Primary), State Financial Corporations/ State Industrial Investment Corporations, State Small Industries Development Corporation, National Bank for Agriculture and Rural Development, statutory bodies (KVIC, COIR Board, Handloom Board and Handicraft Boards), National Small Industries Corporations Limited and the like. The State bank of India lending to the small-scale industries in Theni district, compared to the public sector and the priority sector lending. The trend values showed that the target has increased faster than the actual amount of advances. The recovery rate of the SSI advances is a maximum of 69% in Theni district.

Keywords: Banks; Small-scale industries; Lending, Recovery; Economic development; Sources of Finance and trend values

Introduction

Finance is an important input for an industry. For a small scale industry the need for finance is very essential due to its limited resources. The sources of finance for small scale industries are of two types-internal and external. The internal sources consist of initial capital and profits reinvested. The external sources consist of loans and other assistance from the institutional and the non-institutional sources. This paper attempts to study the extent of bank finance made available to small-scale industries at National level, Tamil Nadu level and Theni district.

In spite of the thrust accorded through the administrative machinery of the government and financial assistance extended by financial institutions and commercial banks, the growth of the SSIs sector has been much below the expected level. At the end of the Tenth Plan, (March 2007), the small-scale industries produced goods worth Rs. 790759 crore against the target of Rs. 880805 crores. They exported goods valued at Rs. 202017 crore against the Tenth Plan target of Rs.233079 crores [1]. Though the SSIs sector contributed significantly to the economy of the country, it has not emerged as an engine of exponential growth and rapid economic transformation of the semi-urban, rural and backward areas. The liberalization and reform process initiated in India since, 1991 has enlarged the problem areas of the SSIs sector. While notable advances were made in exports and use of high technologies the general state of many small units continues to be critical. The role of commercial banks in the process of economic development is well recognized. The year 1969 was a major turning point in Indian financial systems when 14 major banks were nationalized. Thereafter there was re-orientation of credit flows, so as to benefit the till then neglected sectors such as agriculture, small-scale industries and small borrowers. The Government has constituted several committees from time to time to improve the credit delivery system of commercial banks towards SSIs. Accordingly, at present SSIs have been recognized as a priority sector by commercial banks and they lend liberally to SSIs units.

Statement of the Problem

Different national and state level institutions operating in the country for meeting the credit requirements of the SSIs sector include Small Industries Development Bank of India, Commercial Banks, Regional Rural Banks, Co-operative Banks (State, Central and Primary), State Financial Corporations/State Industrial Investment Corporations, State Small Industries Development Corporation, National Bank for Agriculture and Rural Development, statutory bodies (KVIC, COIR Board, Handloom Board and Handicraft Boards), National Small Industries Corporations Limited and the like In Theni district there are several financial institutions and commercial banks which provide all sorts of financial assistance to the SSI units. Of these the State bank of India, a leading government owned bank is playing a predominant role. Hence the present study, "Bank Credit to Small-Scale Industries in Theni district- A study with reference to State bank of India".

Review of Literature

Inderjit singh and Gupta [2] in their book on "Financing of small industry" also pointed out the inadequacy of institutional credit. They concluded that only 5.1% of the borrowers were financed by institutional finance. Kopardekar [3] attributes excess capacity remaining unutilized in small firms was due to the lack of adequate finance. The lack of adequate finance especially in meeting working

***Corresponding author:** Selvaraj Narayanan, Assistant Professor of Commerce, Saraswathi Narayanan College, Madurai 625022, Tamilnadu, India, Tel: 09843727975; E-mail: selvaraj_narayanan@yahoo.com

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capital requirement leads to inefficient utilization of the installed capacity, which in turn leads to inconsistent operation of the units. Many units are not in a position to apportion funds to fix and working capitals. Moorthy [4] focused his attention on the financing of the small-scale industries in the rayalaseema region of Andhra Pradesh. His emphasis was on the role of the government agencies, financial institutions and the commercial banks in augmenting adequate finance for the small-scale sector. Chaudhary [5] in his article entitled "Success in Urban Small Entrepreneurship", pointed out that creation of political awareness among the present day entrepreneurs was desirable, though not essential. This would help to carry out their entrepreneurial activity successfully since business and politics had inter-acting relationship. Natarajan [6] in his study entitled, "A Study of Utilization of Incentives by Small-Scale Industrial Units in Madurai District", measured the extent of utilization of incentives by small-scale industrial units in Madurai district. The study also highlighted the factors influencing the utilization and the impact of incentives on the industrial units. George Verghese [7] in his paper "Leading Issues in Credit flow to SSIs Sector is Finance for Small Enterprise in India" stated that focus on the limited impact of policies on the SSIs sector in India was mainly due to the isolated treatment accorded to the SSIs sector, the SSIs sector needs a renewed thrust enhancing credit flow by drastically improving the problem areas of administration personal, entrepreneurial development and infrastructure in dispensation of credit. Harinath Reddy's [8] Study on Working Capital Management in Small-Scale Industries, indicating improper controls on the working capital funding. The preparation of periodical working capital reports at least once a month, better planning to overcome shortages and over trading are some of the steps suggested and above all banks to monitor working capital utilization to detect early signs of sickness. Jyotirmayee khar [9] in his article "Credit Repayment by the Small-Scale Industries", highlighted that lending program to the small-scale sector was fraught with two primary problems: administered rate of interest, insufficient to meet the cost and risk of small business lending, had forced the financing institutions to channelize their resources towards the large corporate sector considered less risky. Uma Rani [10] argued that by its less capital intensive and high labour absorption nature, the SSIs sector had made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strength of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices. Small scale sector has emerged as a dynamic and vibrant sector of the economy due to the new reforms. In the years to come, the SSIs would be exploited of its fullest export potential. Karthihaselvi et al. [11] described that small-scale industries were dreams of Mahatma Gandhi come true. He supported the growth of small-scale industries in India, because he had the vision that it would help the poor people of India to come up. Small-scale and micro industries are not capital based, but the talent and effort based business. So even a middle class person can own and run this. According to new international poverty line of \$1.25, around 40% of Indian population is under poverty line. As it is hard to provide employment to all, at least we can encourage the self employment through small-scale industries. Fortunately the country is endowed with adequate natural resources. So it is a propitious time for the growth of small-scale industries, government can come up with the loan facility and proper training for these industries. This may encourage unemployed people to start their career in this sector. With the government's scheme and succor, the dream of Mahatma Gandhi can come true.

Objectives of the Study

To analyze the extent of the financial assistance given by the State bank of India to the SSI units in Theni district. To conclude and suggest measures to ensure more flow of credit to the SSI units on the basis of findings of the study.

Framework of Analysis

In order to examine the growth of credit extended by State bank of India during the period under study, the Arithmetic mean (X) and the Coefficient of Variation (C.V) of the following formula were used

$$\text{Coefficient of Variation (\%)} (C.V) = \times 100 \frac{S.D}{X}$$

Where, S.D=Standard Deviation.

The trend and compound growth rates are computed for the advances to SSI by State bank of India by adopting the semi-log trend model as given below;

Log $y = a + bt$ Where,

y =Amount of loans

t =Time Variable.

a and b are the parameters to be estimated.

The above model was estimated by the method of least squares. The compound growth rate was calculated by using the formula,

$$\text{Compound Growth Rate (\%)} = (\text{anti log } b - 1) \times 100$$

Period of the Study

The secondary data relating to advances in India and Tamil Nadu were obtained for a period of 12 years from 1998-99 to 2010-2011. The same data for Theni district was collected for the period of 13 years from 1998-99 to 2010-2011.

Profile of the SBI in Theni District

The Theni district State bank of India in the Madurai Zonal office (Regional office) started its operation on 2nd August 1979. This region consists of nine districts namely, Madurai, Theni, Dindigul, Virudhunagar, Sivagangai, Ramnad, Tirunelveli, Tutitcorin and Kanniyakumari. The branches of the State bank of India in Theni are classified under three heads namely rural, semi-urban, and urban. There are about 135 branches in the region, of which 28 are in the urban area, 48 in the rural and 59 in semi-urban areas. The total strength of the number of staff of this region is 3243, of which 791 are officers, 1579 are clerks and 873 are messengers. There are one Personal Banking Branch and four Agricultural Development Branches (ADBs) in the Madurai region. The deputy general managers directly control the entire 135 branches. For administrative purpose, this region is divided into three sub regions. The head office of the region is located in Madurai which controls the branches in Madurai and Theni districts. The region II consists of four districts, namely Dindigul, Sivagangai, Ramnad and Virudhunagar districts, and its head office is in Dindigul which has about 46 branches. Tirunelveli, Tutitcorin and Kanniyakumari are in region III. Its head office is in Nagarcoil which controls 41 branches [12].

Historical Development of the Presidency Banks

The SBI has about 200 years of experience in banking business. The Bank of Calcutta began its operation in 1806, the Bank of Bombay in

1840 and the Bank of Madras in 1843. All these banks were formed at the initiative of the British in the three presidency towns, Calcutta, Bombay and Madras. The names of the presidency towns were changed into Kolkata, Mumbai and Chennai respectively in recent times. The modern type of banking however was developed by the agency houses of Calcutta and Bombay after the establishment of rule by the East India Company in the 18th and the 19th centuries [13]. One-fifth of its total initial capital of Rs. 50 lakhs, was subscribed by the state government, which also appointed three out of the total nine directors. In 1840, the Bank of Bombay and in 1843 the State Bank of Madras also set up their capital of Rs. 52 lakhs and Rs. 30 lakhs respectively. Moreover, East India Company contributed Rs. 3 lakhs in respect of each bank [14]. The banks came into existence either as the result of the compulsions of the imperial finance or by the felt needs of the local European commerce. Their evolution was however, shaped by ideas on the analogy of similar developments in Europe and England. This was influenced by changes occurring in the structure of both the local trading environment and those developments in the Indian economy and the economy of Europe. The position of the presidency banks was thus “similar to the ladies of the Janana of the India prince. They had high status, they were protected, but they were not allowed out of the boundaries of their Janana walls [15]. Although these three banks performed banking functions, they have been termed as ‘apex’ banking in India. But India did not have a portal banking till 1935. Before the formation of the Imperial Bank of India in 1921, there was a need for amalgamating the three presidency banks.

SSI Advances by the State Bank of India in India

In this section, an attempt is made to analyze the advances to the small-scale industrial sector by the State bank of India in comparison to public sector banks.

Share of public sector banks and the state bank of India in the SSI finance

The SSIs are financed by all banks. It is logical at this stage to analyze the share of the State bank of India to the total credit extended to the SSI units by the public sector banks. Hence, the relevant information is furnished in Table 1.

Year	State Bank of India	Public Sector Banks	% of Credit by SBI to Public Sector Banks
1998-99	43690	105838	41.28
1999-00	46045	127477	36.12
2000-01	48400	149116	32.45
2001-02	49743	171185	29.06
2002-03	52988	203097	26.08
2003-04	58278	245582	23.74
2004-05	67634	310670	21.77
2005-06	82492	409791	20.13
2006-07	104703	521181	20.08
2007-08	148651	610450	24.35
2008-09	185208	720083	25.72
2009-10	221765	864564	25.65

Table 1: Bank credit to small scale industries by public sector banks and the state bank of India from 1998-1999 TO 2009-2010 (Rs. In Crores).

Sources: 1. Reserve Bank of India, Annual Report 1998 to 2010.

2. Banking Finance, January, 2010.

3. Money and Banking Centre for Monitoring Indian Economy, August–November 2006–10.

Particular	Mean	Standard Deviation	Co-efficient of Variation (Percentage)
Public Sector Banks	347836.46	256458.97	73.72
State Bank of India	88533.23	59710.15	67.44

Table 2: Average and Stability of credit to the SSI units by public sector banks and state bank of India.

Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Per cent)
	A	B		
Public Sector Banks	11.118	0.197 (48.939)	0.99	21.8
State Bank of India	10.236	0.140 (9.567)	0.893	15.1

Table 3: Trend and Growth rate of bank credit to Small scale industries.

Source: Computed data, Figures in brackets are t – values, Significant at 5 per cent Level

It is observed from Table 1 that the amount of financing to SSI’s by public sector banks and State bank of India are increasing year by year. Amount of financing to SSI’s by public sector banks has been steadily increased from Rs. 105838 crores in 1998-1999 to Rs. 864564 crores in 2009-2010. Mean while amount of financing by State bank of India’s to SSI’s also increasing from Rs. 43690 crores in 1998-99 to Rs. 221765 crores in 2009-10. However, it is also inferred that the share of SBI financing to total amount financed by the public sector banks is decreasing year by year. It is concluded from above Table that State bank of India reduced their share of financing to SSI’s compared with all public sector banks during the study period.

The average and stability of credit to the SSI units by the public sector banks and State bank of India are calculated and presented in Table 2. It could be observed from Table 2 that the average amount of lending to the SSI units by State bank of India was Rs. 347836.46 crores which was Rs. 88533.23 for public sector banks. The above Table also reveals that the co-efficient of variations is high (73.12%) in case of public sector banks, but it was slightly low (67.44 %) in State bank of India Banks. The trend and growth in lending by the public sector banks and State bank of India to the SSI units were calculated and are presented in Table 3. The above Table 3 shows that the trend co-efficient of credit to SSI by the public sector banks and the State bank of India were statistically significant at 5% level. The Table also reveals that the rate of growth in lending to SSI was increasing at the rate of 19.7% and 14.0 % per annum, by public sector banks and the State bank of India respectively. The compound growth rate was high in public sector banks comparing to State bank of India during the study period.

Share of SSI in priority sector credit by the SBI

The credit to the priority sector and the SSI units by the State bank of India from 1998-1999 to 2009-2010, are presented in the Table 4.

Table 4 shows the total credit extended to the priority sector and the SSI units by the State bank of India at all India level. It is observed that the total credit increased from Rs. 80200 crores in 1998-99 to Rs. 437317crores in 2009-10. The credit extended to the priority sector other than SSI has been increased from Rs. 36510 crores in 1998-99 to Rs. 215552 crores in 2009-10. The percentage share of the priority sector other than SSI to the total credit ranged from 45.52% in 1998-99 to 60.89% in 2005-06. The credit to the SSIs alone also increased from Rs. 43690 crores in 1998–99 to Rs. 221765 crores in 2009-10. Even though amount of financing to SSIs by State bank of India has shown increasing trend the share of SSI credit to total credit showed

Year	Total Credit	Priority Sector Credit	Percentage of Priority Sector Credit to Total credit	SSI Credit	Percentage of SSI Credit to Total Credit
1998-99	80200	36510	45.52	43690	54.48
1999-00	90523	44478	49.13	46045	50.86
2000-01	100846	52446	52.00	48400	47.99
2001-02	108406	58663	54.11	49743	45.88
2002-03	117535	64548	54.92	52988	45.08
2003-04	136229	77919	57.20	58278	42.80
2004-05	164065	96431	58.78	67634	41.22
2005-06	210961	128469	60.89	82492	39.10
2006-07	249252	144549	57.99	104703	42.00
2007-08	312719	164068	52.46	148651	47.53
2008-09	375415	190207	50.66	185208	49.33
2009-10	437317	215552	49.28	221765	50.71

Table 4: Share of SSI in priority sector credit by the state bank of India from 1998-1999 to 2009-2010 (Rs. In Crores).

Sources: 1. Annual Report of the Reserve Bank of India, 2000 to 2010
 2. Money and Banking, Center For Monitoring India Economy-Nove, 2005 to 2010
 3. Statistical Tables Relating To Banks of India, RBI. (Various Issues)
 4. Economic Statistics, 2008 – 2010

Particular	Mean	Standard Deviation	Co-efficient of Variation (Percentage)
Total Credit	205875.58	132775.32	64.49
Priority Sector	106153.33	60884.36	57.35
SSI Credit	92466.41	60580.76	65.51

Table 5: Average and Stability of credit to priority sector and the SSI units by the State bank of India.
 Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Per cent)
	A	B		
Total Credit	10.982	0.166 (18.013)	0.970	18.0
Priority Sector	10.337	0.166 (35.554)	0.922	18.0
SSI Credit	10.281	0.152 (9.804)	0.906	16.4

Table 6: Trend and growth rate of credit to priority sector and Small scale industrial sector.

Source: Computed data, Figures in brackets are t – values, Significant at 5 per cent Level

decreasing trend till the year 2005-06 and thereafter started increasing to 50.71% in 2009-2010. Table 5 gives the average and stability of the total credit to priority sector and the credit to SSI sector during period under study. From Table 5, it is seen that the average lending by State bank of India was Rs.205875.58 crore, and the average lending amount to priority sectors other than SSI was Rs. 106153.33 crore and the average lending amount to SSI alone was Rs. 92466.41 crores during study period. The computed results of the trend and the growth rate of credit to the priority sector and the SSI credit by the State bank of India are given in Table 6. It is understood from Table 6 that the trend co-efficient of the total credit to priority sector and the SSI credit were statistically significant at 5% level. The Table further shows that on an average the total credit to priority sector and the SSI credit have been increasing at the rate of 16.6%, 15.2% and 10.9% per annum respectively. The compound growth rate was found high in priority sector (18.0%) followed by the total credit (18.0%) and the SSI credit (16.4%) in India.

Advances to SSI by the SBI in Tamil Nadu

This section attempts to analyze the advances made to SSI units sector by SBI in Tamil Nadu. The share of SSI credit in overall priority sector credit extended by the bank during the study period was also analyses.

Share of the SBI lending to SSI in the public sector banks in Tamil Nadu

The lending by the State bank of India and the public sector banks to the small-scale industries in Tamil Nadu is presented in Table 7.

Table 7 shows the total lending to the SSI units by the public sector banks which increased from Rs. 1754.69 crores in 1998-99 to Rs. 6032.16 crores in 2009-10. The lending to the SSI by the State bank of India alone ranged from Rs. 696 crores in 1998-99 to Rs. 1155 crores in 2009-10. The share of the State Bank lending to SSIs in comparison to lending by public sector banks ranged between 19.15% and 39.66% during the study period. The average and stability of lending to the SSIs by the public sector banks and the State Bank are computed and are presented in Table 8. From Table 8, it can be observed that the average lending by public sector bank and the State bank of India to the SSI sector in Tamil Nadu were Rs. 3424.66 crores and Rs. 826.66 crores respectively during the study period. It is inferred from the analysis of co-efficient of variation that high fluctuations were found in SSIs credit by public sector bank compared to the State bank of India. The computed trend and growth rate of lending to the SSI units by the public sector banks and the State bank of India are given in Table 9. It is inferred from Table 9, that the trend coefficient of the public sector banks and the State Bank lending to the SSI sector are positive and statistically significant at 5% level. It is found that the public sector banks lending to the SSI sector has been increasing at the rate of 10.9% per annum which is 4.6% for the SBI. The compound growth rate of lending was found high in public sector banks (11.5%) compared to the

Year	Public Sector Banks (Rs. in Crores)	State Bank of India (Rs. in Crores)	Percentage of SBI Credit Public Sector Banks
1998-99	1754.69	696	39.66
1999-00	2013.50	704	34.96
2000-01	2355.62	707	30.01
2001-02	2540.23	711	27.99
2002-03	2502.42	719	28.73
2003-04	2889.16	713	24.68
2004-05	2981.31	735	24.65
2005-06	3591.48	846	23.55
2006-07	4201.65	912	21.71
2007-08	4811.82	978	20.32
2008-09	5421.99	1044	19.25
2009-10	6032.16	1155	19.15

Table 7: State bank of India and public scetor banks lending to SSI units in Tamilnadu during 1998-1999 TO 2009-2010.

Sources: 1. Indian Overseas Bank, Lead Bank Department, Chennai
 2. Money and Banking, Center for Monitoring India Economy, November 2006 to 2010

Particular	Mean	Standard Deviation	Co-efficient of Variation (Percentage)
Public Sector Bank	3424.66	1394.24	40.71
State Bank of India	826.66	159.06	19.24

Table 8: Average and stability of lending to small scale industries by public sector banks and the sbi.

Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Per cent)
	A	B		
Public Sector Bank	7.358	0.109 (21.088)	0.978	11.5
State Bank of India	6.403	0.046 (7.273)	0.841	4.7

Table 9: Trend and growth rate of lending to the SSI units by the public sector banks and the State bank of India.

Source: Computed data
Figures in brackets are t – values, Significant at 5 per cent Level

Year	Target (Rs. In Crores)	Disbursements (Rs. In Crores)	Percentage of Disbursements to Target
1998-99	410.34	421.46	102.71
1999-00	452.76	510.59	112.77
2000-01	562.96	606.46	107.73
2001-02	638.66	640.34	100.26
2002-03	673.28	674.44	100.17
2003-04	712.61	776.92	109.02
2004-05	761.25	740.90	97.33
2005-06	918.07	906.30	98.72
2006-07	1074.89	1071.70	99.70
2007-08	1230.17	1237.10	100.56
2008-09	1386.99	1392.50	100.39
2009-10	1542.02	1558.24	101.05

Table 10: Target and disbursement of advances by state bank of India to SSI units in Tamilnadu during 1998-1999 to 2010-2011.

Sources: 1. Indian Overseas Bank, Lead Bank Department, Chennai.
2. Money and Banking, Center For Monitoring India Economy, Nov-2006 to 2010.

Particular	Mean	Standard Deviation	Co-efficient of Variation Percentage
Target Fixed	863.66	369.38	42.77
Disbursed Credit	878.07	361.66	41.18

Table 11: Average and stability of credit target and disbursed credit to small-scale industries.

Source: Computed data

State bank of India (4.7%) in Tamil Nadu, during the study period. The State banks of India target credit and sanctioned credit to SSI units in Tamil Nadu during the period of study are presented in Table 10.

Table 10 clearly shows that the credit target of State bank of India to SSI has been increasing year by year from the amount of Rs. 410.34 crore in 1998-99 to Rs. 1542.02 crore in 2009-2010. Moreover almost in all the years (except 2004-2007) the bank has been disbursed credit more than their targeted credit amount. The average and stability of credit targeted and disbursed to SSI's are presented in Table 11. It is inferred from the Table 11 that the average credit target and disbursed amount of credit to the SSI in Tamil Nadu were Rs. 863.66 crores and Rs. 878.07 crores respectively. It was also inferred that high fluctuation in credit target amount was found comparing with disbursed credit amount to SSI units. The trend and growth rate of the State bank of India bank credit target and disbursed amount of credit to the SSI units in Tamil Nadu were computed and are presented in the Table 12.

From Table 12, it can be observed that the trend coefficient of the State bank of India, credit target and disbursed amount of credit to SSI's were statistically significant at 5% level. It implies that the credit target amount and disbursed have been increasing at the rate of 11.8% and 11.1% respectively. Moreover the compound growth rate of SBI credit target amount to SSI were (12.5%) which is the highest compared to the credit disbursed to SSI units.

Advances to the SSI units by the State Bank of India in the study area

In this section, an attempt is made to analyze the advances made to the SSI, outstanding credit amount from SSI units and recovery performance of the SBI in the study area. For this required data were collected from the year of 1998-1999 to 2010-2011.

Bank credit to small-scale industries

Table 13 exhibits the details of lending by the State bank of India and by the public sector banks to SSI units in Theni district during the period of 1998-1999 to 2010-2011. It is observed from Table 13 that the State bank of India lending amount have been increasing from year to year during the study period. It is evident from Table 13 that lending amount was Rs. 8034 thousand in 1998-99 and it increased to Rs. 286615 thousands in the year of 2010-11. In the total amount disbursed to SSI by all the public sector banks, SBI's contribution has increased from 6.16% to 46.21% during the study period. The average and stability of lending to the SSI units by the State bank of India and public sector banks are computed and presented in Table 14. From Table 14 it is seen that the average amount of financing to the SSI units

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Per cent)
	a	B		
Target Credit	5.912	0.118 (27.013)	0.986	12.5
Disbursed Amount of Credit to SSI	5.979	0.111 (20.084)	0.976	11.8

Table 12: Trend and growth rate of credit target disbursed amount of credit

Source: Computed Data
Figures in brackets are t – values, Significant at 5 per cent Level

Year	Advances to SSI by Public Sector Banks (Rs. In Thousands)	Advances to SSI by SBI (Rs. In Thousands)	Share of State Bank of India in Public Sector Banks
1998-99	130409	8034	6.16
1999-00	135229	6767	5.00
2000-01	155445	17760	11.42
2001-02	150625	48523	32.21
2002-03	147101	59516	40.46
2003-04	138753	67501	48.65
2004-05	176789	76467	43.25
2005-06	185133	96073	51.89
2006-07	256417	107074	41.76
2007-08	317539	171940	54.15
2008-09	468562	230924	49.28
2009-10	544362	268034	49.24
2010-11	620162	286615	46.21

Table 13: Advances to SSI units by public sector banks and state bank of India in Theni district from 1998–1999 to 2010–2011.

Sources: 1. Annual Credit Plan for Theni District from 1998-99 to 2010-11
2. Lead Bank Section of State Bank of India, Theni

SSI Finance	Mean	Standard Deviation	Co-efficient of Variation Percentage
By Public Sector Banks	263578.92	171383.10	65.02
By State Bank of India	111171.38	97310.70	87.53

Table 14: Average and stability of the SSI units finance by public sector banks and state bank of lending.

Source: Computed data

by public sector banks and the State bank of India were Rs. 263578.92 thousands and Rs. 111171.38 thousands respectively during the study period. Moreover the State bank of India's lending amount had the high fluctuation comparing to that of public sector financing. The computed results of trend and growth rates of the SSI units finance by the public sector banks and by the State bank of India are given in Table 15. It is understood from Table 15 that the trend coefficient of the public sector banks and the State bank of India's disbursement of credit to the SSI units are statistically significant at 5% level. It is also observed that the amount of financing to the SSI units by public sector banks and the State bank of India were increasing at the rate of 13.4% and 30.5% per annum respectively. Further the compound growth rate of the SBI lending to SSI was 35.6%, which is comparatively higher to public sector banks lending to the SSI (14.3%).

Share of SSI credit amount to total priority sectors advances by SBI

Table 16 gives the details of priority sector advances and SSI advances by SBI from 1998-1999 to 2010-2011 in study area. It is understood from Table 16 that the priority sector advances made by the State bank of India ranged from Rs. 198792 thousand in 1998-99 to Rs. 2348337 thousand in 2010-11. The share of the SSI advances in the priority sector advances made by the State bank of India in Theni district increased from 4.04% in 1998-99 to 13.46% in 2009-2010. A fluctuating trend in the share of the SSI advances in the priority sector advances was observed during the study period. Table 17, gives the average and stability of SSI advances and priority sector advances by the SBI during the period. From Table 17, it is observed that the average advances to the SSI units and priority sector was Rs. 111171.38

SSI Finance	Trend Co-Efficient		R ²	Compound Growth Rate (Percentage)
	a	B		
By Public Sector Bank	11.382	0.134 (7.840)	0.848	14.3
By State Bank of India	8.967	0.305 (10.857)	0.915	35.6

Table 15: Trend and growth rate of SSI units finance by public sector banks and state bank of India.

Source: Computed data

Figures in brackets are t – values, Significant at 5 per cent level

Year	Priority Sector Advances (Rs. In Thousands)	SSI Advances (Rs. In Thousands)	Share of SSI Advances in Priority Sector
1998-99	198792	8034	4.04
1999-00	281272	6767	2.40
2000-01	354062	17760	5.02
2001-02	364807	48523	13.30
2002-03	437597	59516	13.60
2003-04	497180	67501	13.58
2004-05	638209	76467	11.98
2005-06	915601	96073	10.49
2006-07	1254099	107074	8.54
2007-08	1416358	171940	12.14
2008-09	1748328	230924	13.21
2009-10	1990734	268034	13.46
2010-11	2348337	286615	12.20

Table 16: Priority sector and SSI units advances by state bank of India in Theni district from 1998-1999 to 2010-2011.

Sources: 1. Annual Credit Plan for Theni District from 1998-99 to 2010-11

2. Lead Bank Section of SBI, Theni

Particular	Mean	Standard Deviation	Co-efficient of Variation Percentage
Priority Sector Advances by SBI	957336.61	722274.80	75.44
SSI Advances by State Banks of India	111171.38	97310.70	87.53

Table 17: Average and stability of SSI units advances made by state bank of India. Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Percentage)
	A	B		
Priority Sector Advances by SBI	12.031	0.208 (28.258)	0.986	23.1
SSI Advances by the State Bank of India	8.966	0.305 (10.857)	0.915	35.6

Table 18: Trend and growth rate of advances to the SSI units in Theni district.

Source: Computed data

Figures in brackets are t – values, Significant at 5 per cent level

and Rs. 957336.61 thousands respectively. A high fluctuation was found (87.53 %) in the SBI advances to the SSI units during the study period, whereas in case of State bank of India advances to priority sector a low fluctuations was found (75.44%). The computed results of the trend and growth rate of advances to the SSI units made by State bank of India are given in Table 18. It is understood from Table 18, that the trend co-efficient of the advances to the SSI units made by the State bank of India were statistically significant at 5% level. It implied that on an average advances to the SSI units made by the State bank of India and priority sector advances were increasing at the rate of 30.5% and 20.8% per annum respectively. The compound growth rate of advances to SSI units and priority sector was 35.6% and 23.1% respectively. The compound growth rate of SSI units advances show high value comparing to other priority sector. So it is evident that the SBI the increases its amount of credit year by year.

Actual amount of advances to the SSI

Table 19 gives the details of the actual amount of advances to the SSI against commitment made by the State bank of India during the period from 1998-1999 to 2010-2011. It is observed from Table 19 that the State bank of India gave more advances to the SSI than the targeted amount in all the years except 2000-01 during the study period. The targeted amount of advances by the State bank of India to the SSI units in Theni district has fluctuated during the period. The targeted amount ranged from Rs. 14442 thousands in 1998-99 to Rs. 285031 thousand in 2010-11, while the actual advances to the SSI units ranged from Rs. 8034 thousands in 1998-99 to Rs. 286615 thousands in 2010-2011. A steady increase was found in the actual amount advances to SSI units during the period. The average and stability in target amount advances and the actual amount of advances to the SSI units by State bank of India in Theni district are given in Table 20. From Table 20 it is revealed that the average target and the average actual amount to SSI of advances by State bank of India in Theni district were Rs. 109977.69 thousand and Rs. 122285.00 thousand respectively. It is inferred from the analysis that high fluctuation is found in the credit target to SSI units compared to the actual amount of advances as indicated by the coefficient of variations. The computed results of trend and growth rate of target and actual amount of advances by the State bank of India in Theni district are given in Table 21. It is understood from Table 21 that the trend co-efficient of the target of the SSI units advances made by the State Bank is statistically significant at 5% level and positive. It also implies that on an average the target of the SSI units advances

Year	Target of SSI Advance by SBI	Percentage Increase/Decreases	Disbursed Amount of Advance by the SBI	Percentage Increase/Decreases
1998-99	14442	-	8034	-
1999-00	23385	61.92	6767	-15.77
2000-01	32186	37.63	29027	-57.10
2001-02	41180	27.94	48523	67.16
2002-03	57466	39.55	59516	22.65
2003-04	66734	16.13	67501	13.42
2004-05	75535	13.19	76467	13.28
2005-06	85360	13.00	96073	25.64
2006-07	89721	5.11	107074	11.45
2007-08	168915	88.27	171940	60.58
2008-09	227544	34.71	230924	34.30
2009-10	262211	15.23	268034	16.07
2010-11	285031	8.70	286615	6.93

Table 19: Target and disbursed amount to SSI units in Theni district during 1998-1999 to 2010-2011 (Rs. In Thousands).

Sources: 1. Annual Credit Plan for Theni District from 1998-1999 to 2010-2011
2. Lead Bank Section of SBI, Theni

Particular	Mean	Standard Deviation	Co-efficient of Variation Percentage
Target of the SSI Advance by SBI	109977.69	93699.10	85.20
Actual Amount of Advance made by the SBI	122285.00	87251.59	71.35

Table 20: Average and stability of target and actual amount of credit to the state bank of India.

Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Percentage)
	a	B		
Target of SSI Advance made by SBI	9.579	0.237 (20.207)	0.976	26.8
Actual Amount of Advance made by SBI	10.408	0.155 (5.695)	0.747	16.7

Table 21: Trend and growth rate of target and actual disbursed amount to small-scale industries

Source: Computed data

Figures in brackets are t – values, Significant at 5 per cent level

Year	Total Advances	Priority Sector Outstanding	Percentage of Priority Sector Outstanding to Total Credit	SSI Sector Outstanding	Percentage of SSIs Credit to Total Credit
1998-99	453373	63109	13.92	99932	22.04
1999-00	648809	96045	14.80	108208	16.68
2000-01	842321	159154	18.89	115637	13.73
2001-02	937757	247791	26.42	124005	13.22
2002-03	1080525	308856	28.58	107537	9.95
2003-04	1275961	204823	16.05	99169	7.77
2004-05	1832634	167142	9.12	132281	7.22
2005-06	3390192	256680	7.57	149685	4.41
2006-07	4572684	798334	17.46	169902	3.71
2007-08	5880000	1029200	17.58	202700	3.45
2008-09	7370000	1298300	17.62	250000	3.39
2009-10	8429800	2012328	23.87	305330	3.62
2010-11	8902600	2281428	25.62	352630	3.96

Table 22: Outstanding loan amount of priority and SSI sector to the state bank of India in Theni district (Rs. in Thousands).

Sources: 1. Annual Credit Plan for Theni District from 1998 to 2011
2. Lead Bank Section of State Bank of India, Theni

made by the State Bank has been increasing at the rate of 23.7% per annum. The compound growth rate was found high in target of the SSI units advances made by the State bank of India (26.8%) during the period followed by the actual amount of advances (16.7%) in Theni district. The actual amount of advances by the SBI to SSI units has been increasing at the rate of 15.5% during the study period in Theni district.

Loan outstanding to state bank of India by SSI and priority sectors

Table 22 explains the loan outstanding of SSI and priority sectors to the State bank of India during the period from 1998-1999 to 2010-2011. It is clear from Table 22 that the total advance of the State Bank increased from Rs. 453373 thousand in 1998-99 to Rs. 8902600 thousands in 2010-11. In the total advances made by the SBI priority sector outstanding amount has increased from Rs. 63109 thousand in 1998-99 to Rs. 2281428 thousands in 2010-11. The amount of outstanding from priority sector to total advances was the lowest (7.57%) in the year of 2005-06 and it was the highest (28.58%) in the year 2002-03. Outstanding credit from the SSI units increased from Rs. 99932 thousands in 1998-99 to Rs. 352630 thousands in 2010-11. The total credit outstanding of the SSI units increased from 22.04% in 1998-99 to 3.96 % in 2010-2011. From the Table, it can be concluded that the outstanding position for the SSIs is only marginal and hence it is hoped that the lending institution will pay more attention to the SSI units among the other segments of the priority sector. The average and stability of the total advances, priority sector and the SSI advances over the priority are given in Table 23.

Table 23 shows that the average total advances to priority sector and the SSI units credit by the State bank of India Theni district were Rs. 3508973.53 thousands, Rs. 686399.23 thousands and Rs. 170539.69 thousands respectively from 1998-99 to 2010-11. It is also inferred that from the analysis high fluctuation was found in the SSI units credit compared to the total advances as indicated by the co-efficient of variation. The computed result of trend and growth rate of the total advances, priority sector and the SSI unit's credit by the State bank of India in Theni district are given in Table 24. From Table 24, it could be identified that the trend coefficients of the total advances, priority sector and the SSI credit were statistically significant at 5% level and positive. It implies that on an average the total advances, priority sector and the SSI credit have been increasing at the rate of 26.8%, 28.3%

Particular	Mean	Standard Deviation	Co-efficient of Variation Percentage
SBI Advances	3508973.53	3161142.56	90.08
Priority Sector	686399.23	755137.01	110.01
SSI Credit	170539.69	83509.56	48.96

Table 23: Average and stability of outstanding in priority sector and small scale industries advances.

Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Percentage)
	a	B		
SBI Advances	12.733	0.268 (20.836)	0.975	30.7
Priority Sector	10.860	0.283 (9.542)	0.892	32.7
SSI Credit	11.236	0.102 (7.716)	0.844	10.8

Table 24: Trend and growth rate of outstanding advances in total priority sector and the SSI credit.

Source: Computed data

Figures in brackets are t – values, Significant at 5 per cent level.

Year	Demand	Collection	Balance	Percentage of Recovery
1998	176868	110278	99932	62
1999	101100	653000	108208	64
2000	203300	123900	115637	61
2001	129500	712000	124005	55
2002	219634	135860	107537	60
2003	201220	124075	99169	61
2004	125300	703000	132281	56
2005	423100	274900	149685	65
2006	592058	392096	169902	65
2007	199200	137400	202700	69
2008	220500	143300	250000	65
2009	234800	167200	291430	66
2010	254000	199900	-	66

Table 25: Recovery performance of state bank of India towards SSI units lending in Theni district during 1998 to 2010 (Rs. in Thousands).

Sources: 1. Annual Credit Plan for Theni District from 1998 to 2010
2. Lead Bank Section of SBI, Theni

and 10.2% per annum respectively. The compound growth rate was found high in the total advances (32.7%) followed by the priority sector (30.7%) of the SSI credit (10.8%) in Theni district.

Recovery of outstanding loan of SSI sector position by the SBI in Theni

The details about the demand, collection and balance percentage of recovery are presented in Table 25. It is understood from Table 25 that the demand has ranged from Rs. 176868 thousands to Rs. 2540000 thousands in 1998 to 2010, whereas in collection it has ranged from Rs. 110278 thousands in 1998 to Rs. 199900 thousands in 2010. The balance amount in the SSI unit's credit ranged from Rs. 99932 thousands in 1998 and Rs. 291430 thousands in 2009. It is inferred that the steady increase in the balance amount was found during the period under study. The rate of recovery ranged from 62% in 1998 to 66% in 2010. The rate of recovery is more than 65% in six years out of the 13 years. It shows that debt recovery rate is moderate in the case of SSI units lending by the State bank of India in the study area. The average and stability in the demand, collection and balance over the period are given in Table 26.

Particular	Mean	Standard Deviation	Co-efficient of Variation Percentage
Demand	236967.69	132768.46	56.02
Collection	298223.76	236181.31	79.19
Balance	154207.16	63083.14	40.90

Table 26: Average and stability demand, collection and balance of the State bank of India in Theni district.

Source: Computed data

Particular	Trend Co-Efficient		R ²	Compound Growth Rate (Percentage)
	a	b		
Demand	11.850	0.059 (1.840)	0.235	6.1
Collection	12.530	-0.027 (-0.470)	0.020	-2.5
Balance	11.287	0.091 (6.593)	0.813	9.6

Table 27: Trend and growth rate of demand, collection and balance in the state bank of India in Theni district.

Source: Computed data

Figures in brackets are t – values, Significant at 5 per cent level

Table 26, exhibits that the average demand, collection and balance of the State bank of India in SSIs lending in Theni district were Rs.236967.69 thousands, Rs.298223.76 thousands and Rs.154207.16 thousand respectively from 1998 to 2010. It is inferred from the analysis that high fluctuations were found in the collection compared to the demands as indicated by the co-efficient of variation. The computed result of trend and growth rate of the demand, collection and balance by the State bank of India in Theni district are given in Table 27.

Table 27 shows that the trend coefficient of demand and balance were statistically significant at 5% level and positive. It implies that on an average the demand and balance in the State bank of India in Theni district have been increasing at the rate of 05.9% and 09.1% per annum respectively. Whereas the trend value of collection on an average is decreasing at a rate of 02.7% per annum. The compound growth rate was found high in balance (9.6%) during the period under study followed by demand (6.1%) in Theni district.

Summary

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

Suggestions

1. The Bank under study may have specialized branches in each district to the loan requirements of the small-scale industries.
2. If the State bank of India does not have exclusive branches

for SSI units, the bank may provide separate cells in all branches to deal exclusively with small-scale industries. Such cells could monitor the disbursement and utilization of loans to SSI units.

3. Adequate delegation of power at the branch level may be given so as to avoid several layers of hierarchy in granting loans to SSI units.

4. The regular repayment of loans by SSI units may be rewarded by the bank under study with increase in the loan amount and reduction in the rate of interest for further loans.

5. The lead banks in all districts may have periodical meetings with the DICs and the Association of the SSI units to assess the nature, type and amount of loans required by SSI units.

6. A monthly newsletter on the SSI sector may be circulated among the staff at the specialized branches. The newsletter should project the latest developments in the SSI sector which will sensitize the bank staff and reorient them regarding the working of the SSI sector.

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