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**“AN ANALYTICAL STUDY OF CONTRIBUTION OF
STATE BANK OF INDIA IN THE GROWTH OF
SMALL SCALE INDUSTRIES
IN NAGPUR DISTRICT”**

(2007-2010)



Principal Investigator:

Dr. Veena D. Nagdive

Assistant Professor

G.S. College of Commerce & Economics, Amravati Road,
Civil Lines, Nagpur

DECLARATION CERTIFICATE

I hereby declare that this Minor Research Project entitled “**An Analytical Study of Contribution of State Bank of India in the Growth of Small Scale Industries in Nagpur District 2007-2010**” is the result of my own work.

I have not submitted this project to any other University or Institution for the award of any academic purpose.

Dr. Veena D. Nagdive

Principal Investigator

CERTIFICATE OF THE HEAD OF THE INSTITUTION

This is to certify that G.S. College of Commerce & Economics, Nagpur is permanently affiliated college under section 2(f) and 12(b) of UGC.

Dr. Veena D. Nagdive is regular and permanent faculty member of our senior college since 2010.

This Minor Research Project “An analytical Study of Contribution of State Bank of India in the Growth of Small Scale Industries in Nagpur district 2007-2010” has been prepared after the approval of UGC.

It is also certified that this project has not been submitted to any other university or institution for the award of any academic purpose to the best of my knowledge.

Dr. N.Y. Khandait

Principal

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Dr. Veena D. Nagdive

Principal Investigator

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Chapter 1

INTRODUCTION

1.1 INTRODUCTION

“He who does an ounce of duty gets a ton of satisfaction”.

A well known philosopher once said that you cannot step into the same river twice. He is proved right every minute. Things are in flux- Nothing is permanent but change. This truly applies to the Indian banking scenario. For the last two decades, banking development in the country have taken an exponential jump, creating in its wake a large potential not only for new jobs, but for better jobs with enhanced pay packets and a quality of life. It is therefore, jobs with worthwhile to have a close look at the development of banking in India.

1.2 HISTORICAL DEVELOPMENT OF BANKING IN INDIA

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the day. The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks

- Nationalisation of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

To make this write-up more explanatory, I prefix the scenario as Phase I, Phase II.

Phase I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority. During those day's public has lesser confidence in the banks. As an aftermath deposit mobilisation was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

Phase II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalised Imperial Bank of India with extensive banking

facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out. It was the effort of the then Prime Minister of India, Indira Gandhi. 14 major commercial banks in the country were nationalised. Second phase of nationalisation Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalisation of State Bank of India.
- 1959: Nationalisation of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969: Nationalisation of 14 major banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalisation of seven banks with deposits over 200 crore.

After the nationalization of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions

1.3 NATIONALISATION OF BANKS IN INDIA

After independence the Government of India adopted planned economic development for the country (India). Accordingly, five year plans came into existence since 1951. This economic planning basically aimed at social ownership of the means

of production. However, commercial banks were in the private sector those days. In 1950-51 there were 430 commercial banks. The Government of India had some social objectives of planning. These commercial banks failed helping the government in attaining these objectives. Thus, the government decided to nationalize 14 major commercial banks on **19th July, 1969**. All commercial banks with a deposit base over Rs.50 crores were nationalized. It was considered that banks were controlled by business houses and thus failed in catering to the credit needs of poor sections such as cottage industry, village industry, farmers, craft men, etc. The second dose of nationalisation came in **April 1980** when banks were nationalized.

Objectives behind Nationalisation of Banks in India

The nationalisation of commercial banks took place with an aim to achieve following major objectives.

1. **Social Welfare:** It was the need of the hour to direct the funds for the needy and required sectors of the Indian economy. Sector such as agriculture, small and village industries were in need of funds for their expansion and further economic development.
2. **Controlling Private Monopolies:** Prior to nationalisation many banks were controlled by private business houses and corporate families. It was necessary to check these monopolies in order to ensure a smooth supply of credit to socially desirable sections.
3. **Expansion of Banking:** In a large country like India the numbers of banks existing those days were certainly inadequate. It was necessary to spread banking across the country. It could be done through expanding banking network (by opening new bank branches) in the un-banked areas.
4. **Reducing Regional Imbalance:** In a country like India where we have a urban-rural divide; it was necessary for banks to go in the rural areas where the banking facilities were not available. In order to reduce this regional imbalance nationalisation was justified:

5. **Priority Sector Lending:** In India, the agriculture sector and its allied activities were the largest contributor to the national income. Thus these were labelled as the priority sectors. But unfortunately they were deprived of their due share in the credit. Nationalisation was urgently needed for catering funds to them.
6. **Developing Banking Habits:** In India more than 70% population used to stay in rural areas. It was necessary to develop the banking habit among such a large population.
7. **List of Total Nationalized Banks in India:-**
 1. Indian bank
 2. Indian overseas bank
 3. Oriental bank of commerce
 4. Punjab national bank
 5. Punjab and Sindh bank
 6. Syndicate bank
 7. Union bank of India
 8. United bank of India
 9. UCO bank
 10. Vijaya bank
 11. Allahabad bank
 12. Andhra bank
 13. Bank of Baroda
 14. Bank of India

15. Bank of Maharashtra

16. Canara bank

17. Central bank of India

18. Corporation bank

19. Dena bank

$$19 + \text{SBI} + \text{its 5 associates} + \text{IDBI} = 26.$$

1.4 PRESENT SCENARIO

The traditional functions of banking are limited to accept deposits and to give loans and advances. Today banking is known as innovative banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work. Current banking sector has come up with a lot of initiatives that oriented to providing a better customer services with the help of new technologies. Banking sector mirrors the larger economy its linkages to all sectors make it proxy for what is happening in the economy as a whole. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian Economy. The going developments in the global markets offer so many opportunities to the banking sector. In the competitive banking word improvement day by day in customer services is the most useful tool for their better growth. Bank offers so many changes to access their banking and other services.

Banks plays an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. The banks collect savings for investment in various projects. In normal banking the banks perform agency services for their customers and helps economic development of the country. The purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the Government department. There for banks save time and energy of busy peoples. Bank arranges foreign exchange for the business transactions with other countries. Banking sector

are not simply collecting funds but also serve as a guide to the customer about the investment of their money.

Today role of banking industry is very important as one of the leading and mostly essential service sector. India is the largest economy in the world having more than 110 crore population. Today in India the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed up the social economic development.

Progress of Indian Banking

(Up to 31st March 2010)

Table 1.1

Sr. No.	Type of Banks	Branches
01	Nationalised Banks	39376
02	State Banks	16062
03	Old Private Sector Banks	4673
04	New Private Sector Banks	4204
05	Foreign Banks	293
	Total	64608

(Source:- www.rbi website)

The present banking scenario provides a lot of opportunities as well as facing lot of challenges also. In the past few years we observed that there was lot of down and up trends in banking sector due to the global finance crisis. In India it has not major affected but in America still the economy is under the pressure of economic crisis. India is being fundamentally strong supported by concrete economic policies, decisions and implementations by the Indian Government i.e. Prime Minister Dr. Manmohan Singh. Banking sector is not major affected but definitely there was reflection on the share market.

To improve major areas of banking sector Govt. of India. RBI, Ministry of finance have made several notable efforts. Many of leading banks operating in market have made use of the changed rules and regulations such as CRR, Interest Rates Special offers to the customers such as to open account in zero balance. Now days almost all banks entered into all areas of banking services. As a result of innovation banking products are a reality now. Even saving accounts have become subject of innovation. Due to liberalization, Privatization and Globalization, Indian banks going global and many global banks set up shops in India. The Indian banking system is set to involve into a totally new level. It will help the banking system to grow in strength going into future. Due to liberalization banks are operating on reduced spread main focus is highlighted on consumerism and how to customers linked and remain attached with the bank. Therefore banks are entered these days in non banking products such insurance in which area there are tremendous opportunities. The Indian banking sector has recorded an impressive improvement in productivity over the last 15 years; many of the productivity/ efficiency indicators have moved closer to the global levels. There has been a particularly discernible improvement in banks' operating efficiency in recent years owing to technology up-gradation and staff restructuring. However, to sustain high and inclusive growth, there is a need to raise the level of domestic savings and channel those savings into investment. This implies that banks need to offer attractive interest rates to depositors and reduce the lending rates charged on borrowers - in other words, reduce the net interest margin (NIM). The NIM of the Indian banking system is higher than that in some of the other emerging market economies even after accounting for mandated social sector obligations such as priority sector lending and credit support for the Government's anti-poverty initiatives.

1.5 THE ROLE OF BANKING IN INDIA'S DEVELOPING ECONOMY

One of the major considerations that led to the nationalization of the fourteen major commercial banks of India in 1969 was the fact that banks, in general, had been negligent of the vital priority sectors of the economy, viz., agriculture and small-scale industries. The commercial banks had remained largely indifferent to the credit needs of the farmers for agricultural operations and land improvement. A handful of people were able to exploit the bank finance to serve their own individual interests and

convenience. Very often, they used bank funds for the hoarding of essential articles and for specialization, thus nurturing anti-social elements. Nationalization brought about a major policy shift in the working of these banks.

The economic development of our country depends more on real factors like the industrial development, modernization of agriculture, organization of internal trade and expansion of foreign trade, especially exports, and less on the monetary factors contributed by banking— Economic planning like laying down of specific targets and allocating particular sums of money that constitute the economic policy of the government also plays a significant role. Still we cannot under-estimate the importance of banking and the monetary mechanism.

One of the most important problems of a developing economy is that of capital formation. There is a good deal of difference between hoarding and saving and the people in the countryside have to be made to realize the difference. This can be easily done by banks. They can undertake to educate the rural populace and thus mobilize their savings. A number of leading economists have confirmed the fact that the amount of capital available in India for investment is surprisingly and inexplicably large. Only we need exploiting this idle capital. Who else can exploit it, if not banks? Both in rural and urban areas, huge amounts of money are wasted on celebrations like marriages and births. If banks can offer handsome interest on savings, people can be induced to direct their savings from wasteful activities to banks. Promoting attractive deposit schemes needs some very active work on the part of the banks, but it can certainly mobilize a large amount of saving for capital formation.

The Government of India has now undertaken a large number of projects for the economic reconstruction of the country. Banks can generate an adequate volume of credit and conduct it along useful productive channels. They can distinguish between the essential and non-essential factors of the economy between productive and non-productive investment, between speculative and non-speculative borrowings and thus help in the growth of the economy.

Two other acute problems faced by our low and middle income groups are the housing problem and gnawing unemployment problem. If the banks undertake to help

these groups, they will also be making a significant contribution to our economy. It will also help in removing the economic imbalance of the various sections of our society.

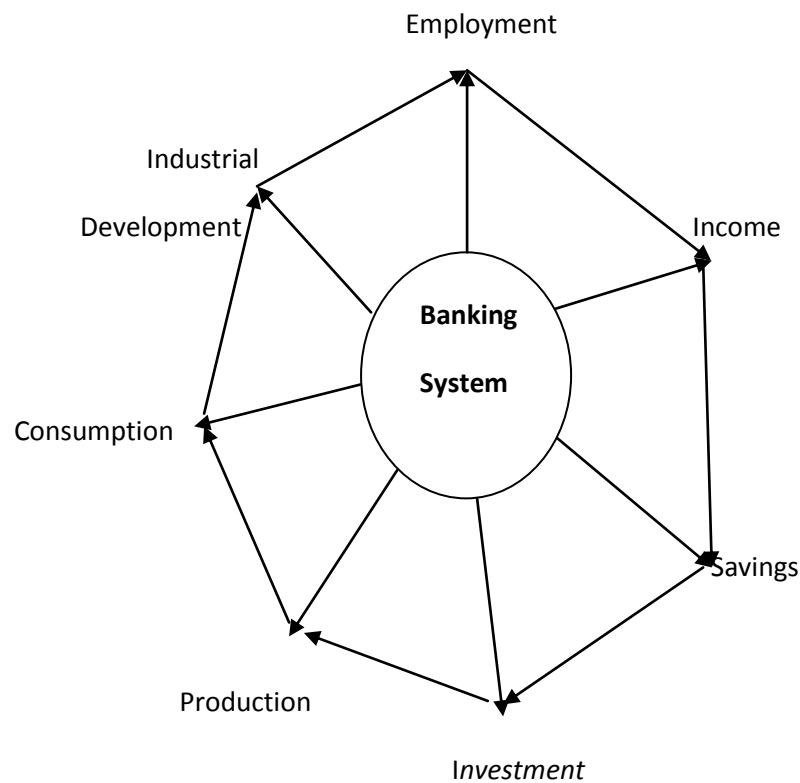
Before nationalization, our banks could not play this constructive role expected of them. But after nationalization, the entire banking machinery has now been geared to the economic development of the country. They have started looking after the needs of the small farmer and the new entrepreneur. It is earnestly hoped that the Government will take some more positive steps to ensure that the real benefits of an organized banking system percolate down to the poor illiterate masses of India.

1.6 ECONOMIC DEVELOPMENT THROUGH BANKING SYSTEM

Banks play a very important role in the economic development of every nation. They have control over a large part of the supply of money in circulation. Through their influence over the volume of bank money, they can influence the nature and character of production in any country.

Economic development is a dynamic and continuous process. Banks are the main stay of the economic progress of a country because; the economic development highly depends upon the extent of mobilization of resources and investment and on the operational efficiency of the various segments of the economy. The major roles played by the banks in the development of economy of a country can be summarized as follows

Economic Development through Banking System



From the above circle of the development, one could understand that the banking system functions as a nerve centre of the entire economic system of the country.

1.7 INDIAN BANKS AND THE GLOBAL CHALLENGES

Integration of economies leads to integration of financial markets catalysing the globalisation process. The growing role of the financial sector in allocation of resources has significant potential advantages for the efficiency with which our economy functions. Consequently, the adverse consequences of malfunction of the financial system are likely to be more severe than they used to be in the past. Hence, all our efforts today are focused at ensuring greater financial stability. Given the significance of the Indian banking system, one cannot afford to underplay the importance of a robust and resilient banking system.

The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation along with the increasing levels of competition have facilitated globalisation of the India banking system and placed numerous demands on banks.

Operating in this demanding environment has exposed banks to various challenges. The last decade has witnessed major changes in the financial sector - new banks, new financial institutions, new instruments, new windows, and new opportunities - and, along with all this, new challenges. While deregulation has opened up new vistas for banks to augment revenues, it has entailed greater competition and consequently greater risks. Demand for new products, particularly derivatives, has required banks to diversify their product mix and also effect rapid changes in their processes and operations in order to remain competitive in the globalised environment.

Chapter 2

BRIEF HISTORY & INCEPTION OF STATE BANK OF INDIA

2.1 INTRODUCTION

The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921.

2.2 DEVELOPMENT PHASE OF STATE BANK OF INDIA

PHASE I

An important turning point in the history of State Bank of India is the launch of the first Five Year Plan of independent India, in 1951. The Plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Until the Plan, the commercial banks of the country, including the Imperial Bank of India, confined their services to the urban sector. Moreover, they were not equipped to respond to the growing needs of the economic revival taking shape in the rural areas of the country. Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of a state-partnered and state-sponsored bank. The All India Rural Credit Survey Committee proposed the take over of the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. Subsequently, an Act was passed in the Parliament of India in May 1955. As a result, the State Bank of India (SBI) was established on 1 July 1955. This resulted in making the State Bank of India more powerful, because as much as a quarter of the resources of the Indian banking system were controlled directly by the State. Later on, the State Bank of India

(Subsidiary Banks) Act was passed in 1959. The Act enabled the State Bank of India to make the eight former State-associated banks as its subsidiaries. The State Bank of India emerged as a pacesetter, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank. Instead of serving as mere repositories of the community's savings and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully. The bank served the heterogeneous financial needs of the planned economic development.

PHASE II

State Bank of India (SBI) is the largest banking and financial services company in India by revenue, assets and market capitalization. It's a state-owned corporation with its headquarters in Mumbai, Maharashtra. As of March 2010, it had assets of US\$ 370 billion with over 13,000 outlets including 150 overseas branches and agents globally. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidency banks, Bank of Calcutta and Bank of Bombay to form Imperial Bank of India, which in turn became State Bank of India. The government of India nationalized the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. SBI is ranked 292 globally in Fortune Global 500 list in 2010.

SBI provides a range of banking products through its vast network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). The State Bank Group, with over 16,000 branches, has the largest banking branch network in India. SBI has 14 Local Head Offices situated at Chandigarh, Delhi, Lucknow, Patna, Kolkata, Guwahati (North East Circle), Bhubaneswar, Hyderabad, Chennai, Trivandram, Bangalore, Mumbai, Bhopal & Ahmedabad and 57 Zonal Offices that are located at important cities throughout the country. It also has around 130 branches overseas. SBI is a regional banking behemoth and is one of the largest financial institutions in the world. It has a market share among Indian commercial banks of about 20% in deposits and loans.

SBI provides easy access to money to its customers through more than 8500 ATMs in India. The Bank also facilitates the free transaction of money at the ATMs of State Bank Group, which includes the ATMs of State Bank of India as well as the Associate Banks – State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, etc. You may also transact money through SBI Commercial and International Bank Ltd by using the State Bank ATM-cum-Debit (Cash Plus) card.

PHASE III

The State Bank of India is the 29th most reputed company in the world according to *Forbes*. Also SBI is the only bank featured in the coveted "top 10 brands of India" list in an annual survey conducted by Brand Finance and The Economic Times in 2010.

The roots of the State Bank of India rest in the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of the royal charters. These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921, and the reorganized banking entity took as its name: Imperial Bank of India. The Imperial Bank of India remained a joint stock company. Pursuant to the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955, the Imperial Bank of India became the State Bank of India. The government of India recently acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act, enabling the State Bank of India to take over eight former state-associated banks as its subsidiaries. On 13 September 2008, the State Bank of Saurashtra, one of its associate banks, merged with the State Bank of India.

SBI has acquired local banks in rescues. For instance, in 1985, it acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.

Earlier SBI had only seven associate banks that constituted the State Bank Group. Originally, the then seven banks that became the associate banks belonged to princely states until the government nationalized them between October 1959 and May 1960. In tune with the first Five Year Plan, emphasizing the development of rural India, the government integrated these banks into the State Bank of India system to expand its rural outreach. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline operations.

PHASE IV

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of state banks from seven to six. Then on 19 June 2009 the SBI board approved the merger of its subsidiary, State Bank of Indore, with itself. SBI holds 98.3% in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.77 %.)

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of 12,448 and over 21,000 ATMs. Also, following the acquisition, SBI's total assets will inch very close to the Rs 10-lakh crore mark. Total assets of SBI and the State Bank of Indore stood at Rs 998,119 crore as on March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore Branches started functioning as SBI branches on 26 August 2010.

SBI is an international commercial bank. It has all the advantages that a commercial bank can bring. It creates credit, lends out loans, welcomes savings and so on.. Banks maximise their profits through interests. Banks might also attract investment with low interest rates,. They create jobs thereby contributing to economic development.

The State Bank of India is India's largest and the oldest Bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits.

Apart from banking, SBI has also entered into new ventures strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc – each one of these initiatives having a huge potential for growth. With its cutting edge technology and new banking models, it is expanding its Rural Banking base, looking at the vast untapped potential in the hinterland and proposes to cover 100,000 villages in the next two years. State Bank of India is also concentrating at the top end of the market, on whole sale banking capabilities to provide India's growing medium or large Corporate with a complete array of products and services. It is consolidating its global treasury operations and entering into structured products and derivative instruments.

State Bank of India is the only Bank of India that has been included in the list of fortune 500. It is the largest provider of infrastructure debt and the largest arranger of external commercial borrowings in the country. The formation of the State Bank of India aims at promoting planned economic development of the country. The development activities of the SBI and its subsidiaries are manifold. Besides opening new branches in non-banking areas SBI and its subsidiaries finance agriculture, the cooperative movement and small scale industries.

By March 1995 the SBI and its associates over 13,800 small scale business units and other small operators. The amount of loans outstanding was Rs.9200 crores. The most spectacular progress has been achieved in the field of rural credit. In March 1995 the loans outstanding to farmers rose to over Rs.7450 crores. The State Bank's role in financing small units is significant. It has started "Pilot Centres" to experiment with financing schemes.

SBI has also introduced Installment Credit schemes. It is designed to assist the financing equipment or machinery used by small and medium size manufacturing units. To be of special use for small industrial units the SBI has launched Branch Banking. In the first five years of its existence. The SBI opened 416 branches. The Stat Bank offices have increased from 500 at the end of 1955 to 1570 in 1969. At the end of June 1999, the total number of branches of the State Bank group (SBI and 7

associate banks) came to 13,192. It is noteworthy that nearly two-thirds of these located in rural and semi-urban areas with a population of less than 25000.

PHASE V

Nationalized banks such as State Bank of India (SBI), though pygmies in the international banking market are banking behemoths of India. They have branches spread over the entire length and breadth of the country. SBI in particular is all-pervasive enjoying a sprawling network of 9000 branches. Its blue and white shingle is visible to the smallest hamlet. It has assets understood to be worth about Rs 2, 22,500 crore (\$52 billion).

SBI has a very conservative approach to accounting particularly when it comes to declaration of its assets. Probably modesty does not permit the bank to exhibit its strengths. In particular, it has real estate properties some of which are heritage sites all over the country. These are estimated to collectively command a value of Rs.30,000 crores. This, it is believed, does not get reflected in its book of accounts.

SBI enjoys a monopoly of the government business. The Reserve Bank of India owns about 60% of the bank's equity. To its credit, SBI mobilized \$4.2 billion through the Resurgent India Bonds (RIB) issue in just 3 months down the post-Pokhran sanction period. This was the difficult time when the international credit rating agencies had downgraded the country. SBI, time and again, does a rescue act in the forex market to contain any volatility of the rupee. SBI was formed under the SBI Act in 1955 with the takeover of Imperial Bank and amalgamation of Bank of Bengal, Bank of Bombay, and Bank of Madras. The government mopped up around 93% of the equity, leaving 7% to private ownership. By this act the equity of RBI cannot be diluted below 55%.

SBI enjoys a pool of best managerial talent, assured government business, a countrywide network of branches and strong brand credibility in the Indian market. But, that *numero uno* position is sliding with the entry of sleeker private and foreign banks into the Indian Banking scene. The bank is continuously restructuring itself and

for this, they even hire the services of foreign consultants but the pace has to be hastened.

With the government offering an assured business, nationalized banks and State Bank of India in particular should not take a complacent view. They should evolve service-intensive products and make their employees customer-friendly. With competition from private and foreign banks knocking at the door, the banks should realize, size is no more an insurance against the onslaught of competition from sleek private and foreign banks. A revolutionary approach to privatize ownership is the need of the hour.

2.3 VISION OF STATE BANK OF INDIA

- MY SBI.
- MY CUSTOMER FIRST.
- MY SBI: FIRST IN CUSTOMER SATISFACTION.

2.4 MISSION OF STATE BANK OF INDIA

- We will be prompt, polite and proactive with our customers.
- We will speak the language of young India.
- We will create products and services that help our customers achieve their goals.
- We will go beyond the call of duty to make our customers valued.
- We will be of service even in the remotest part of our country.
- We will offer excellence in service to those abroad as much as we do to those in India.
- We will imbibe state of art technology to drive excellence.

2.5 STRENGTHS OF STATE BANK OF INDIA

- Largest commercial bank in the country with presence in all time zones of the world.

- Macro economic proxy for the Indian Economy.
- Has emerged as a Financial Services Supermarket
- Group holds more than 25 per cent market share in deposits and advances
- Large base of skilled manpower
- SBI Group has more than 115 million customers – Every tenth Indian is a customer.

2.6 VALUES OF SBI

The values of State Bank of India are:

- We will always be honest, transparent and ethical.
- We will respect our customers and fellow associates.
- We will be knowledge driven.
- We will learn and we will share our learning.
- We will never take the easy way out.
- We will do everything we can to contribute to the community we work in.
- We will nurture pride in India.

2.7 STATE BANK OF INDIA & SMALL SCALE INDUSTRY

Small scale industries form an integral part of the Indian economic structure. They constitute a continuing element in our planned effort for economic development. It would, therefore, be short-sighted to view them as static element in the Indian economy; they are rather a progressive and effective decentralised sector which is closely related to agriculture on the one hand and large-scale organised industry on the other.

The first attribute of a socialist society is gainful employment for every citizen, and the achievement of this ideal rests on the decentralisation and wide distribution of economic activity, entrepreneurship and economic gains. The basic social philosophy underlying Indian planning is that “centralised large-scale operation will be adopted only to the extent necessary to derive appropriate advantages from modern technology”.

Over the rest of the field, small-scale units would be encouraged to play their part.

That the small scale industrial units ideally fit in our socio-economic structure stems from the factors that they possess higher industrial mobility; ensure fuller utilisation of resources- human as well as material; their capital needs are small and productive potential higher because of their low capital output ratio; they provide ideal opening for exploitation of short run opportunities; they ensure decentralised growth of wide distribution of purchasing power; they throw up opportunities for innovative talents and techno-managerial skills over a wider front; they ensure intimate personal employer-employees contacts and better industrial relations; and above all, they are employment generating.

In short, modern small-scale industry is a powerful factor for rapid, but decentralised, growth of a developing economy. The potential of this sector is so tremendous that with sustained efforts it could give powerful impetus to the development not only for the creation of new employment opportunities, but would have helped also in the emerging process of social justice through dispersal of incomes and ownership of the productive resources. Decentralised economic power is a powerful factor for the growth of democratic institutions, and the development of the economy on the pillars of a modernised small-scale sector would definitely be a step in this direction.

The small-scale industrial units which are labour incentives and capital saving, which promote special and sectoral dispersal of the industry, and which offer a convenient means for a fair and equitable distribution of the national income, demand and deserve all the encouragement from the State Bank of India. The need of the hour,

therefore, is to increase the flow of finance to these units; to liberalise the terms and conditions of this assistance; and to institutionalise the flow of such assistance.

In the developing economy like India there is dominance of the mass unemployment and lack of capital, small scale industries are the basis of industrial development. Small industries have important place in the economy of the country.

In the words of Late Mahatma Gandhi, “the salvation of India lies with cottage industries”. Small industries are the key to India’s capacity and its future development. Indian planning commission has also accepted the importance of these industries and pointed out, **“Small industries are important part of our economy which can never be neglected.”**

Keeping in view the special importance of small scale industries the state bank of India has done special work for the development of small industries. The bank provides financial assistance to these industries. Besides it also provides other services namely technical assistance, consultancy service etc.

The financial assistance provided by the State Bank of India to Small Scale industries can be seen from the following table:

Assistance to Small-Scale Industries by State Bank of India

Table 2.1

At the end of the year	Amount (Rs. Crore)
1960	4
1970	152
1980	853
2000	9332
2010	16965
2015	26678

The above table reveals that the financial assistance given to Small Scale Industries was Rs.4 crore only in 1960, which increased by six fold to 25 crores. During the period 1965 to 1970 the assistance increased more than six fold to 152 crore. The bank provided credit amounting to Rs. 320 crores in 1975 and the credit given by the SBI further increased Rs. 9332crores in 2000 & at the end of 2010 further increased Rs. 16965 crore & Rs. 26678 crores in 2015.

Besides financial assistance the bank has also launched many schemes for the development of small scale industries as given under:

i) Entrepreneurial Development Programme:

In order to accelerate the industrial development of backward areas and to encourage entrepreneurs to set up risk oriented industries the SBI launched Entrepreneurial Development Programmes in 1980. 350 industrial owners were imparted training. 42 programmes have been launched from its very inception in which 920 entrepreneurs have set their own industries and they operating successfully.

ii) Equity Fund Scheme for Small Scale Industries:

The State Bank of India provides financial assistance at lower rate of interest in the form of capital to newly set up small units. This limit ranges from Rs. 5000 to Rs. 50000. This loan is for a period of seven years. Small units have been provided loan under this scheme.

Besides, the bank has also provided finance to village industries and it has also provided credit to such industries which are called sick industries. Thus the SBI has played an important role in the development of small industries.

Chapter 3

DEVELOPMENT OF SMALL SCALE INDUSTRIES IN NAGPUR DISTRICT

3.1 INTRODUCTION:

Economic development of a country is directly related to the level of industrial growth. The Expansion of industrial sector leads to a greater utilization of natural resources, production of Goods and services, creation of employment opportunities and improvement in the general Standard of living. India has also been striving to develop the country's industrial base over since independence. It has framed various policies aimed at development of industries in the Public and private sectors. Special emphasis has been laid on small-scale industries.

Small scale industries play a key role in our planned development with its advantages of low Investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi urban areas. The small-scale industries sector has been appropriately give a strategic position in our planned economy towards the fulfillment of the socio economic objectives particularly in achieving equitable growth.

P.N. Dhar and H.F. Lydall in introduction to their book, "The Role of Small Enterprise in Indian Economic Development" has observed that "The promotion of small scale industries has been widely recommended as one of the most appropriate means of developing industry in over populated Backward countries".

The definition of small scale sector is broadened from small-scale industries to small scale enterprises that include all business enterprises in the services sector which provide service to industrial sector in addition to small scale industries taking into account all these factors, at Present, Reserve Bank of India uses an expanded definition of small scale industries which Include:

- (i) Small scale industrial undertaking which are engaged in the manufacturing, processing and preservation of goods in which the investment in plant and

machinery not to exceed Rs. 5crore. These would include units engaged in mining or quarrying servicing and repairing of machinery.

- (ii) Tiny enterprises whose investment in plant and machinery do not exceed Rs.25 lakhs.
- (iii) Power looms.
- (iv) Traditional industries etc.

All industrial units with a capital investment of not more than Rs. one crore are, at present, treated as small-scale units. For ancillary units i.e., those supplying components etc., to large-scale industries and the export-oriented units, the limit of capital investment is also Rs. one crore. Industrial units with an investment of up to Rs. 25 lakhs belong to the tiny sector. It may be noted that capital investment covers only investment in plant and machinery, land and factory buildings are excluded. As per this classification all industries with capital investment higher than specified for small-scale units are large-scale industries.

The small-scale industries contribute a lot to the progress of the Indian economy. They have also a great potential for the future development of the economy. Let us discuss their role in detail.

3.2 EVALUATION OF DEFINITION OF SSI:

Small Scale Industries Board (1955)

A unit employing less than 10 persons, if using power and less than 50 persons without the use of power and with capital asset not exceeding 0.5 million.

Small Scale Industrial Board 1959

A unit employeing less than 50 persons when using power and 100 persons when not using power per shift.

Ministry of Commerce and Industries 1960

Small scale industries will include all industrial units with a capital investment of not more than Rs. 5 millions irrespective of the number of persons employed. The capital limit is relaxed upto Rs. 1.00 million.

Ministry of Commerce and Industries 1965

Small scale industries will include all industrial units with a capital investment of not more than Rs. 75 millions irrespective of the number of persons employed. The capital limit is relaxed upto Rs. 1.00 million.

Ministry of Commerce and Industries 1975

Small Scale Industries are those undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 10.00 lakhs and ancillary industries are with investment in fixed assets in plant and machinery not exceeding Rs. 15.00 lakhs.

Government of India Industrial Policy Announcement (1980)

Small scale industrial units are those which have an investment in fixed assets in plant and machinery not exceeding Rs. 20.00 Lakhs and ancillary industries are with investment in fixed assets in plant and machinery not exceeding Rs. 25 Lakhs.

Industrial Policy Resolution (1985)

Small Scale industrial units are those which have an investment in fixed assets in plant and machinery not exceeding Rs. 35 Lakhs.

SSI Policy Statement (1991)

Small Scale Industrial units are those which have an investment in fixed assets in plant and machinery not exceeding Rs. 60 Lakhs and Rs. 75 Lakhs for export-oriented units.

Abid Hussain Committee (1997)

Small Scale Industrial units are those, which have an investment limit of Rs. 3 Crores.

Government of India (2000)

The government of india has reduced the investment limit of plant and machinery from Rs. 3 crores to Rs. 1crores.

Micro, Small and Medium Enterprise Development Act 2006

Investment limit for micro-units is less than Rs. 25 Lakhs for small scale industries, the investment limits are more than Rs. 25 Lakhs and Rs. 5 crores and for medium industries, more than Rs. 5 crores and less than Rs. 10 crores.

In accordance with the provision of micro, Small and Medium Enterprises Development (MSMED) Act. 2006, the Micro, Small and Medium Enterprises (MSME) are classified in to two classes:

A) Manufacturing Enterprises

The enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule of the industries (Development and Regulation) Act, 1951, the Manufacturing Enterprise is defined in terms of investment in plant and machinery.

B) Service Enterprises

The enterprises engaged in providing or rendering of services are defined in terms of investment in equipment. Does not exceed ten lakh rupees for micro-enterprise, more than ten lakh rupees but does not exceed two crore rupees for small enterprise, and More than two crore rupees but does not exceed five crore rupees for medium enterprise.

3.3 SMALL SCALE INDUSTRY AND ITS IMPORTANCE

Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. India has also been striving to develop the country's industrial base over since independence. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small-scale industries. Small scale industries play a key role in our planned development with its advantages of low investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi urban areas. The small-scale industries sector has been appropriately give a strategic position in our planned economy towards the fulfilment

of the socio economic objectives particularly in achieving equitable growth. P.N.Dhar and H.F.Lydall in introduction to their book, “The Role of Small Enterprise in Indian Economic Development” have observed that ‘The promotion of small scale industries has been widely recommended as one of the most appropriate means of developing industry in over populated backward countries’.

The definition of small scale sector is broadened from small-scale industries to small scale enterprises that include all business enterprises in the services sector which provide service to industrial sector in addition to small scale industries taking into account all these factors, at present, Reserve Bank of India uses an expanded definition of small scale industries which include:

- i) Small scale industrial undertaking which are engaged in the manufacturing, processing and preservation of goods in which the investment in plant and machinery not to exceed Rs. 5crore. These would include units engaged in mining or quarrying servicing and repairing of machinery.
- ii) Tiny enterprises whose investment in plant and machinery do not exceeds Rs.25 lakhs.
- iii) Power looms.
- iv) Traditional industries which require high

3.4 GROWTH OF SMALL SCALE INDUSTRIES IN INDIA PRE AND POST GLOBALIZATION

The small scale industries play a significant role in boosting the overall economic growth of economy. The small scale industries set- up by the entrepreneurs in different states and Union Territories of India have contributed to the increased shares in overall production, fixed investment, exports, Employment and capacity Utilization of SSI Units, etc. The importance of SSI sector in providing large scale employment is of paramount importance. The policy framework right from the first plan has highlighted the need for the development of SSI sector keeping in view its strategic importance in the overall economic development of India. The impact of Industrial liberalization and deregulatory policies on the growth of small scale

industries has been captured by computing and subsequently comparing the growth rates between pre and post globalization period. In this section, the overall performance of SSI sector has been examined in depth on the basis of the different parameters such as number of units, production, employment and exports.

3.5 ROLE OF SMALL SCALE INDUSTRIES

In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities.

It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five times to that of the large-scale sector.

This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industries have been playing an important role in the growth process of Indian economy since independence in spite of stiff competition from the large sector and not very encouraging support from the government.

The following are some of the important role played by small- scale industries in India.

1. Employment generation:

The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small- scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation. The small-scale industries provide large scope for employment on a massive scale.

In 2001 the employment generated in this sector was 19.2 million. This is of great significance for a country like India which is a labour-surplus economy, and where labour-force is increasing at a very rapid rate. Moreover, the small-scale industries being labour-intensive they employ more labour per unit of capital for a given output compared to the large-scale industries. This is evident from the fact that the small-scale sector accounts for as much as 80% of the total employment in the industrial sector.

The small-scale industries are also specially suited for overcoming various types of unemployment in the rural and semi-urban areas. With little capital and other resources, mostly available locally, these industries can be set-up everywhere in the country, even at the very door-step of the workers. For this reason the small farmer and agricultural worker can combine their work in agriculture with that in these industries. Further, these industries provide part-time as well as full time work to rural artisans, women, and poor of the backward classes.

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that 100,000 rupees of investment in fixed assets in the small-scale sector generates employment for four persons.

2. Large Production:

The small-scale industries also contribute a sizeable amount to the industrial output of the country. Out of the total output of the manufacturing sector, as much as 40% comes from these industries. And out of the total supplies of industrial consumer goods a major part originates in the small-scale sector. Almost all the products of this sector are in the nature of consumer goods, with a significant part consisting of luxury goods. The adequate availability of consumer goods plays an important role in stabilizing and developing the economy.

3. Mobilisation of resources and entrepreneurial skill:

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-

scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent.

Thus, a huge amount of latent resources; re being mobilised by the small-scale sector for the development of the economy.

4. Equitable distribution of income:

Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive.

Thus small-scale industries ensures equitable distribution of income and wealth in the Indian society which is largely characterised by more concentration of income and wealth in the organised section keeping unorganised sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and are having large employment potential.

5. Regional dispersal of industries:

There has been massive concentration of industries in a few large cities of different states of Indian union. People migrate from rural and semi urban areas to these highly developed centres in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences of over-crowding, pollution, creation of slums, etc. This problem of Indian economy is better solved by small- scale industries which utilise local resources and brings about dispersion of industries in the various parts of the country thus promotes balanced regional development.

6. Provides opportunities for development of technology:

Small-scale industries have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in return, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercialising new inventions and products. It also facilitates the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

7. Indigenisation:

Small-scale industries make better use of indigenous organisational and management capabilities by drawing on a pool of entrepreneurial talent that is limited in the early stages of economic development. They provide productive outlets for the enterprising independent people. They also provide a seed bed for entrepreneurial talent and a testing round for new ventures.

8. Promotes exports:

SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods.

Small-scale industries have registered a phenomenal growth in export over the years. The value of exports of products of small-scale industries has increased to Rs. 393 crores in 1973-74 to Rs. 71, 244 crores in 2002-03. This contributes about 35% India's total export. Thus they help in increasing the country's foreign exchange reserves thereby reduces the pressure on country's balance of payment. Many products of the small-scale industries like handloom cotton fabrics, silk fabrics, handicrafts, carpets, jewellery, etc. are exported to foreign countries. Their share in the total exports is as much as 40%. In this way the small-scale sector makes a very valuable contribution to the accumulation of foreign exchange resource of the country.

9. Supports the growth of large industries:

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi finished goods required by them. In fact, small industries can breathe vitality into the life of large industries.

10. Better industrial relations:

Better industrial relations between the employer and employees help in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production and man-days are comparatively less in small-scale industries. There is hardly any strikes and lock out in these industries due to good employee-employer relationship.

Of course, increase in number of units, production, employment and exports of small-scale industries over the years are considered essential for the economic growth and development of the country. It is encouraging to mention that the small-scale enterprises accounts for 35% of the gross value of the output in the manufacturing sector, about 80% of the total industrial employment and about 40% of total export of the country.

11. Promoting Welfare:

The small-scale industries are also very important for welfare reasons. People of small means can organize these industries. This in turn increases their income-levels and quality of life. As such these industries help in reducing poverty in the country. Further, these industries tend to promote equitable distribution of income. Since income gets distributed among vast number of persons throughout the country, this help in the reduction of regional economic disparities.

Another advantage of great significance of these industries is the upgrading of the lives of the people in general. The freedom to work, self-reliance, self-confidence, enthusiasm to achieve and all such traits of a healthy nation can be built around the activities performed in these industries. It also becomes possible to preserve the inherited skill of our artisans which would otherwise disappear. Moreover, many ills of urbanization and concentration inherent in large-scale industries can be avoided by setting up of small industries. All these benefits flow from the fact that these industries are highly labour-intensive, and that these can be set up anywhere in the country with small resources.

3.6 DEVELOPMENT OF SMALL SCALE INDUSTRIES IN NAGPUR DISTRICT

ONE OF THE MAIN FACETS OF ECONOMIC LIFE of a country or part thereof is its industrial economy. The term balanced economy is often used in the context of underdeveloped economies implying a balance between the two important sectors of national economy, viz., agriculture and industry. In a predominantly agricultural country like India, the agricultural sector is necessarily looked upon as a feeder to the industrial sector. However, in the ultimate analysis, both these sectors are viewed as complementary parts of the national economy. Therefore, a co-ordinate plan for agricultural and industrial development has to be chalked out so as to ensure a self-generating and self-sustaining economy. This objective of planning is clearly embodied in India's Five-Year Plans for economic development.

Industrial progress cannot be achieved easily as it is preconditioned by several factors; the important ones being availability of capital, industrial enterprise, labour, raw materials, speedy and efficient means of transportation and good markets. The study of the industrial growth of Nagpur shows that the district is endowed with many of the prerequisites for a sustained growth of industries. Nagpur is one of the most industrialized districts of Maharashtra. Next to Bombay and the adjoining suburban area, Nagpur city is by far the most important industrial centre of the State. Nagpur occupies a central position on the country's map and is advantageously situated on the Bombay-Calcutta and the Delhi Madras rail routes. Nagpur city, the district headquarters, is also air-linked with the major industrial and trade centers such as Bombay, Calcutta, Delhi and Madras. Nagpur district is blessed with excellent rail and road transport facilities.

At the beginning of 1960 railways served 9.3322 km. (5.8 miles) per 258.99 km. ² (100 sq. miles) in the district against 3.2187 km. (2.0 miles) for the country as a whole. The National and State Highways accounted for 399.117 km. (248 miles) in the district. The average road mileage per 258.99 km. ² (100 sq. miles) in the district comes to 17.864 km. (11.1 miles) as against 14.323 km. (8.9 miles) for Vidarbha region and 29.451 km. (18.3 miles) for the erstwhile Bombay State as a whole. Persons engaged in trade and commerce employed their capital in traditional activities such as bidi-making and manganese mining. They also desired to invest their capital in new profitable

ventures. Besides, the district is well-served by 56 post and telegraph offices. 30 banking offices (of which 26 are in Nagpur city and water-supply potential. The district abounds in timber, large deposits of manganese ore (second grade and high grade) and coal. Agriculture in the district provides important commercial crops such as cotton, orange and linseed which occupy 18.3 per cent of the net area sown.

In brief, it will be seen that Nagpur district possesses considerable potential for industrial growth. (For details refer to Chapter 9 'Economic Trends'.) With a view to giving a fillip to the industrial growth of Nagpur district and Vidarbha region as a whole, the Government of Maharashtra has adopted several measures, the most important among them being the establishment of an industrial estate at Nagpur. While aiming at industrial growth of the district, care has to be taken to avoid excessive concentration and lop-sided development of industries, Kamptee and Kanhan near Nagpur will serve as satellite industrial townships.

Till the beginning of this century, agriculture continued to be the mainstay of the district economy. In the industrial field, most important industry of the district was weaving, especially weaving of silk-bordered cloth. This industry experienced a period of depression before 1872 as a result of competition from machine-made goods. However, the position improved after 1901 when about 40,823 kg. (90,000 lbs.) Of raw silk, then valued at five to six lakhs of rupees, was imported into the district. Establishment of the Empress Mills on 1st January 1877 laid the foundation of the textile industry in the district.

Two factories engaged in the production of chemicals cater to the demand of textile and other industries in the district. Kamptee is an industrially flourishing centre where a variety of industrial units are located. Cement pipes, rubber products and paints and varnishes are manufactured in the district on a considerable scale. Nagpur represents a nucleus of printing presses including Government Central Press, and as the district is rich in orange cultivation, a few cold storage companies are doing good business.

Industrialization of Nagpur is in progress particularly since Independence.

Nagpur oranges are famous throughout the country for their excellent quality. Fruit preservation and canning is a resource-oriented industry localized in Nagpur. It avails itself of the orange crop in the Nagpur district. The industry comprised one large-scale factory, one mechanized small-scale factory and 19 cottage units. The large-scale factory was engaged in canning of fruits and vegetables. It also manufactured orange concentrates and orange segments, orange oil, juice, squashes and syrups. The other factories manufactured squashes, syrups, ice and also undertook canning and bottling of vegetables, fruits, and their juices, and preservation of perishable commodities like table and seed potato in artificially cooled chambers.

Three of the four reporting concerns worked perennially, their working days ranged between 264 and 299 while the other one worked seasonally. All the three concerns were established after 1947.

The fixed capital of the four reporting concerns was Rs. 26,69,430 and their working capital was Rs. 1,41,131. The value of plant and machinery of the two concerns amounted to Rs. 5,02,345. The machinery consisted of Frick and Duglous compressors, electric motors and other power-driven machines.

Electric power was used as fuel by all the units. The value of electricity consumed during 1960 was Rs. 1,10,534. The raw materials used included ammonia, potassium, calcium chloride, common salt, ice, fruits and vegetables. The value of raw materials used by the reporting concerns during 1960 was Rs. 10,41,379. The total consumption of oranges by the existing factories was 1,828.900 metric tons (1,800 tons). This, however, constituted only 2.5 per cent of the total annual yield of oranges in Nagpur district. The main difficulty was encountered in obtaining adequate fruits other than, oranges for processing. Three concerns manufactured products worth Rs. 22,35,209 in one year. The total sale in 1958, of squashes and syrups amounted to 500 cases (each consisting of 12 bottles) equivalent to 50.802 metric tons (50 tons).

The small-scale factories distributed about 70 per cent of their products over an area of about 804.67 km. (500 miles) around Nagpur city (consisting of the eastern districts of Madhya Pradesh and Sambalpur and Rourkela in Orissa). The remaining 30 per cent were marketed in Vidarbha Region. The cottage units catered to the needs

of local markets in Nagpur district. The large-scale factory sold its products throughout Maharashtra State. The various factories depended for their sales on different segments of the market and hence did not suffer much from the inter-state competition. The small-scale factories supplied about 63 per cent of the total sales of 3,500 cases of squash in Nagpur district. Their prices were lower than those of the imported brands.

The four reporting factories employed 369 persons (including 63 women), the individual strength is varying between 13 and 252. They were paid Rs. 88,720 by way of wages and salaries during one year. The existing factories did not work up to their maximum capacity due to restricted availability of graded fruits (as the grading of oranges was confined to the regulated markets) and the lack of adequate storage facilities. The small factories purchased glass bottles from time to time on a small-scale at the prevailing retail prices. This, in turn, added considerably to the cost of production of these factories.

In 1958 there were 15 small-scale and 150 cottage factories in the picture frames manufacturing industry. All of them were located in Nagpur city. Cottage factories played a subordinate role in relation to the small-scale factories. Generally they worked as sub-contractors to some small-scale factories. They manufactured picture frames of salai wood of 38.10 mm. to 76.20 mm. ($\frac{1}{2}$ " to 3") width and differing in varieties like plain, marble painted, silver and gold painted. Of the 15 small-scale factories, one was established in 1935, three were established between 1940 and 1950 and six were established between 1950 and 1960. All the reporting factories worked perennially.

**3.7 EXISTING STATUS OF INDUSTRIAL AREAS IN THE DISTRICT
NAGPUR AS ON 31/03/2010**

Table No. 3.1

Sr. No.	Name of Industrial Area	No. of units production
1	Hingna	1266
2	Butibori	722
3	Kalmeshwar	112
4	IT Parsodi	26
5	Umrer	09
6	Katol	16
7	Saoner	27
8	Narkhed	02
9	Bhiwapur	01
10	Kuhi	02
11	Parseoni	12

Source: MIDC Nagpur

3.7 POTENTIALS AREAS FOR SERVICE INDUSTRY IN NAGPUR DISTRICT

1. Unit engaged in Mining and Quarrying
2. Servicing and Repairing of Machinery
3. Advertising Agencies
4. Marketing Consultancy
5. Equipment Rental and leasing
6. Industrial Photography
7. Industrial R & D Labs
8. Industrial Testing Labs
9. Auto repairing and Services, Garages
10. Laboratories
11. Laundry and dry cleaning
12. X-Ray Clinic
13. Tailoring
14. Servicing agro farm equipment
15. Photographic Labs
16. Blue Printing

3.8 INDUSTRIES IN NAGPUR DISTRICT

Hingna Industrial Area

Maharashtra Industrial Development Corporation has established its area in 1962, which is 7 Km. from Nagpur city. In the Industrial area, several engineering Industries, Electrical based Industries, food based industries, etc. are located. Maharashtra state Electricity Boards has established its two sub-station. Telephone Deptt. has already its Telephone facilities by way of Electronic Exchange. To facilitate the 46 industrialists and workers amenities like Post office, Banks, Police station, Petrol Pumps, Canteen, Bus services etc. are available in this area. In this area no land is available for further planning.

Butibori Industrial area

Maharashtra Industrial Development Corporation has established its area in 1992 which is 28 Km from Nagpur highway No.7. The total area planned for development is 2345.65 hectares which covers 16 villages having private land of 865 cultivators. 1839 industrial plots have been To encourage the entrepreneurs, M.I.D.C. has constructed 46 work sheds. Out of these, 26 sheds are of S-1 type and 20 sheds are of S-2 types Built up area of S-1 type shed is 55.38 sq.mtrs. and 108 sq. mtrs. for S-2 Type shed. Out of 46 sheds, 7 sheds are allotted on outright purchase basis. Some of the sheds are given on rental basis and remaining sheds are available for allotment. Likewise in this area, MIDC has constructed 24 panbidi shops and some are reserved for land affected persons. M.I.D.C. has incurred Rs. 80.00 crores on different infrastructural facilities to be available in the area. Out of which expenditure for Rs. 23 crores has been incurred on water supply scheme. In this area, several industrial units have invested Rs. 2300/- crores up to December, 2000 and employment made available to 7200 people.

Software Technology Park at Nagpur

Maharashtra Industrial Development Corporation established in 1962. MIDC is a main industrial infrastructure development body of the Maharashtra Government. It has developed more than 225 industrial estates across the state, thus abiding by the motto “Udyamat Sakal Samruddhi”- Prosperity to all through Industrialization. MIDC is now concentrating its efforts on developing environment friendly Software

Technology Parks to cater the needs of the IT industry. It has developed more than 18 IT parks in the state, out of which one IT park is developed at Parsodi Nagpur City and other at Sadar , Nagpur City. The main objective for developing Software Technology Park at Nagpur is data communication facility of computer, single window clearance for Government licence i.e. code Nos, custom, Green Cards, etc. and assistance for liaison with Govt. agencies and other departments. In the above Software Technology Park different types of premises are readily available. In addition to this space has been provided for Nodal Officer and the staff for software technology park.

Orange Based Industries

Nagpur is popularly known in our country as Orange City, because it is famous for the production of oranges. Nagpur district have wide potentiality to set up small scale industries based on Orange products. Oranges are produced in the following tahsils i.e. Nagpur (Rural), Katol, Narkhed, Kalmeshwar, Saoner, Bhiwapur and Karanja. The oranges in this area are marketed at different parts of the country. Processed oranges can have potentiality for exports and hence processing units could be considered at Nagpur district. There is a scope to start orange based processing industry. This industry can be started at Katol, Narkhed, and Kalmeshwar talukas.

Oil Industry

Soyabean based products is increasing day by day due to health conciousness among the people which are soyamilk, soya vadi, soyabean oil, soya biscuit and others. Soyabean by product is also been used for the production of cattle feed. Hence soyabean industry can be developed at Nagpur district.

Keeping in view the special importance of small industries the State Bank of India has done special work for the development of small industries in Nagpur District with the help of 59 branches.

3.9 CONTRIBUTION OF SBI IN THE DEVELOPMENT OF SSI THROUGH BRANCH EXPANSION AND PROVISION OF BANKING FACILITY IN NAGPUR DISTRICT

S.N.	Branch Name	Bank MICR Code	Bank IFSC Code
1	MIDC Butibori	440002028	SBIN0009689
2	Chapegadi	441002493	SBIN0009449
3	Jalalkheda	441002695	SBIN0005441
4	Kalmeshwar	440002038	SBIN0011432
5	Kamptee	440002019	SBIN0000400
6	Katol	441002853	SBIN0000563
7	Khaparkheda	440002043	SBIN0012310
8	Koradi	440002016	SBIN0003904
9	Lohari Sawangi	441002459	SBIN0007361
10	Manewada	440002036	SBIN0010315
11	Mauda	441002639	SBIN0011419
12	Metpanjara	441002658	SBIN0004813
13	Ambazari	440002004	SBIN0008238
14	C. A. Road	440002009	SBIN0001305
15	CCPC, Nagpur	440002033	SBIN0010464
16	Chaoni	440002017	SBIN0005999
17	Chhapru Nagar	440002025	SBIN0005461
18	Civil Lines	440002037	SBIN0011519
19	Coal Estate	440002023	SBIN0009060
20	Deendayal Nagar	440002020	SBIN0009057
21	Dharampeth	440002014	SBN0004872
22	Friends Colony	440002035	SBIN0011418
23	Gopal Nagar	440002026	SBIN0006273
24	Hingna	440002007	SBIN0001632
25	FB Nagpur	440002027	SBIN0007136
26	Iiwari	440002010	SBIN0000518
27	Jaiprakash Nagar	440002021	SBIN0009058
28	Kuhi	NONMICR	SBIN0013528

29	Mahal	440002011	SBIN0002161
30	Manish Nagar	440002042	SBIN0012755
31	Medical Square	440002012	SBIN0003462
32	Narendra Nagar	440002039	SBIN0011587
33	Neeri	440002031	SBIN0004224
34	Panchpaoli	440002018	SBIN0003224
35	Wardhaman Nagar	440002029	SBIN0004119
36	Ramdaspath	440002003	SBIN0001633
37	Ravinagar	440002015	SBIN0007504
38	Service branch	440002001	SBIN0009848
39	Seva Sadan Chowk	440002040	SBIN0060279
40	SME Nagpur	524002099	SBIN0012957
41	SMECC, Nagpur	440002947	SBIN0004497
42	Surendra Nagar	440002006	SBIN0008239
43	VRCE Nagpur	440002005	SBIN0006702
44	Vayusena Nagar	440002008	SBIN0003678
45	Wadi	440002041	SBIN0012710
46	Nandanwan	440002034	SBIN0011144
47	Narkhed	441002654	SBIN0005385
48	SARC, Panji	403002502	SBIN0010153
49	Paradsinga	441002681	SBIN0003898
50	Kanhan	440002024	SBIN0003990
51	Parseoni	441002464	SBIN0004710
52	Rajola	441002635	SBIN0005444
53	Ramtek	441002456	SBIN0007671
54	Saoner	441002883	SBIN0001252
55	Sevagram	442002516	SBIN0012756
56	Sindewahi	441002361	SBIN0011589
57	Sindi	442002359	SBIN0011591
58	Thadipwani	441002463	SBIN0007360
59	Umrer	441002882	SBIN0000493

Chapter 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

Any good research attempts to probe the underlying causes and meaning of the observed phenomena. Good research also demands that the data be collected in a systematic manner and interpreted logically.

Research

Research is a way of looking at collected facts so that they become meaningful.

Research is a process that takes the assistance of the scientific methods in solving problems and in finding answers to questions.

The Scientific Method of Research

Research begins with the identification of the problem which is further attached in a planned way. Analysis of the problem leads to hypothesis formulation. The hypothesis i.e. tentative solution is then tested in the light of the data. One solution gives rise to further questions to which answers must be found. Hence, research is considered a cyclic process.

Research Tools

Collection of the data is an important research activity. The necessary direction for the collection of the data is provided by the central problem chosen to conduct the research. In other words, the data which is collected must be consistent with and related to the central problem. The world is full of the data which can be potentially useful to solve a research problem. The challenge before the researcher is finding out ways and means to access this fund of information and then extract the relevant parts of it to suit the special requirements of the research problem. To do this the researcher must employ a number of research tools. This chapter discusses four such tools.

- i) The library ii) Measurement, iii) Statistic, iv) Computers

The Research Problem

Research refers to the manner in which we attempt to solve problems in a systematic manner. Research begins with a problem in the form of a question in the mind of the researcher. A clear statement of the problem is the first step in the systematic solving of the problem. This is followed by the division of the main problem into appropriate sub-problems. This chapter shows how research problems can be found, how they can be stated, and how they can be divided into more manageable sub-problems.

Stating the Hypothesis

Hypotheses are tentative, intelligent guesses. They give research a direction so that a solution to the problem can be found. Hypotheses also enable the researcher to collect data which has some homogeneity and which revolves around a central purpose. A hypothesis may be looked upon as a possible answer to the problem raised in the form of a research question. It is a possible answer because we do not know, until the research is completed, that it is the answer. The data may prove or disprove it. In either case, the researcher has discovered new knowledge.

4.2 THE IMPORTANCE OF THE STUDY

It is common practice for the researcher to do this; he or she is actually looking at the research problem in a larger context and trying to justify the use or the practical value of the study. If the intention is to seek funds on the basis of the proposal, this part of the proposal can be the most influential.

Research Planning and Design

1. The Scientific Method:

Planning and designing are extremely important activities in the conduct of research. A clear statement of the problems and the sub-problems is an important first step in research planning and design. Another important step is the writing of a section on the review of the related literature. The word planning implies a certain logical progression of method.

2. Nature and Role of Data in Research

It is the nature of the data which determines the research methodology the researcher adopts. The overriding methodology is the scientific methodology. There are sub-methodologies under this methodology. The scientific methodology or method can be used to solve problems only when there are facts to support it. In research it is common to use the word data rather than the word facts; although in common language these words may mean the same thing.

The word data is actually a plural form of the word datum. Grammatically it may not be wrong to use the word data in the singular but conceptually, i.e. when you try to think about what precisely it means, it is useful to consider the word data as a plural form.

Data thus are facts. We collect these facts to help us to solve the problem on hand our positivity, we will now look at some important features of the data.

3. Primary and Secondary Data

This study is an analytical study requiring both primary and secondary data. Secondary data are collected from various websites, books and publications of State Bank of India, Journal, research publication and unpublished records. The primary data are collected from sample SSI respondents.

Primary data are collected using interview schedule. A sample of 20 urban and 20 rural respondents are selected on convenient sampling basis and primary data are collected.

Secondary data relating to performance of SBI collected from publications and RBI bulletin. Economic survey reports also verified. Primary data are collected using interview schedule. Samples of 110 respondents are selected on sampling basis and primary data are collected.

4.3 AIMS AND OBJECTS

Every scientific useful study is based on objectives framed according to the problem to be studied.

The following are the prime objectives of the study.

- To study the role of State Bank of India in the growth of Small Scale Industries.
- To study appraisal technique followed by State Bank of India for promotion of Small Scale Industries in Nagpur District.
- To know about the problems faced by small entrepreneur while taking loan.
- To study the loan and advances given to Small Scale Industries in the period of 2007 to 2010 by State Bank of India.
- To study the benefits provided to Small Scale Industries by State Bank of India through various schemes in the period 2007 to 2010.
- To analyze the data collected and to present conclusions and suggestions.

4.4 HYPOTHESIS

The study has been taken up for the following hypothesis:-

- State Bank of India has helped in the development of Small Scale Industries in Nagpur District.

4.5 UNIVERSE OF THE STUDY

The universe of the study for this research work was state of Nagpur District. The study was limited to a period from 2007 to 2010.

4.6 DATA COLLECTION

Data for the study was collected from primary and secondary sources. Data will be collected through –

- i) Interview
- ii) Questionnaire

- iii) Observation method
- iv) Published matter
- v) Annual Report. Etc.

Methodology:

The primary data are collected using interview schedule. There were 1002 respondents of Small industry and Service industry of State Bank of India during 2009-2010. A sample of 10% of total respondents i.e. 100 respondents are selected on convenient sampling basis in which 70 respondents from industry and 30 respondents from service industry & primary data collected.

In Nagpur district there were 59 branches of SBI during 2007-10. The total & sample are given in the following table:

Perception of SSI unit Respondents

Table No. 4.1

Year	Scheme wise No. of Beneficiaries of SBI					Total No. of Beneficiaries/ Respondents	Sample taken for study (10% of Beneficiaries)
	EDS	EFS	LCS	GPTL	SSS		
2009-10	180	325	205	218	74	1002	100

Through a sample of 100 selected, the interview schedules particularly were completed respondents. Thus the study has 100 sample SSI unit entrepreneurs.

Tool Used:

Analysis of data is done with various statistical tools. Sample tools such as average, percentages & ratios are used.

Analysis and Presentation:-

The data collected and tabulated was analyzed according to the objectives of the study and has been presented in a systematic cauterization scheme.

Chapter 5

Review of Literature

5.1 INTRODUCTION

A thorough review and survey of related literature forms an important part of research. It deals with the critical examination of various published and unpublished works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and in the early literature on economic growth and development, industrialization as a source of employment and capital accumulation has been recognized by various economists. Here I highlight the review of works by various authors as well as different committee reports related to the small scale and cottage industries at international, national and local levels.

5.2 MAJOR REVIEWS

- 1) **Nayak Committee (1992)** set up by the Reserve Bank of India to examine the adequacy of institutional credit to the Small Scale Industrial sector and the related aspects. The Committee found that banks has insufficiently serviced the working capital needs of the sector particularly that of cottage and tiny enterprises. Moreover, there is a need for the setting up of specialized bank branches for small scale industries, the absence of which has led to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporation (SFCs) has given rise to a host of problems of co-ordination among them.
- 2) **Ramesha (1999)** examined the trends in credit supplied to small scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporation's (SFCs) and their interstate disparities. The study found that commercial banks continue to play a dominant role in financing small scale industrial sector. However, the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the banking sector has failed to meet the increasing credit

requirements of the SSI sector. The inter-state disparities in the distribution of credit have also been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be sort of complementary relationship between Banks and SFCs in financing small scale sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit and vice-versa.

- 3) **Indian Institute of Entrepreneurship, Guwahati (2001)** conducted a study on the performance of small scale industries in Greater Guwahati area. The study revealed that large number of SSI units (30 percent) in the study area did not avail any financial assistance from banks or any other financial institutions. State Bank of India (SBI) is the major money lender to the small scale industrial sector followed by the United Bank of India (UBI), Assam Financial Corporation (AFC) etc. All other financial institutions played more or less the same role i.e. providing loan to only 1 percent to 3 percent of units by each bank. The above studies on industrialization have been found severely inadequate to explain the real phenomenon of industrialization in Mizoram due to the reason that no major attention have been given by these studies to different aspects of industrialization in the state. Moreover, because of its unique geographical location and its poor infrastructure, the policy recommendations that are applicable to other parts of the country may not necessarily be suitable for the region. It is in this background that a major study covering the various aspects of small scale and cottage industry in the state is proposed to be carried out.
- 4) **Purohit M, C (1973)**, in his study on small Artisans and potential for bank financing, conducted in Jaipur City, states that the working capital requirement alone accounts for 89 per cent of the total financial requirements. The share of raw material in the total working capital requirement is substantial. He adds that 36 per cent of the artisans run their units with borrowed funds. These artisans who borrowed funds had mainly relied upon non-bank financing intermediaries. No artisans who borrowed from any co-operative agency or

governmental agency, a few relied on commercial banks. Ignorance about the facilities provided by the commercial banks and the inability of the artisans to fulfill the bank requirements to avail easy loans have forced the artisans to take financial assistance from non-banking financial institutions at a higher rate of interest.

- 5) **Economic Research Department of State Bank of India, Central Office Bombay (1987)** conducted an observation study on the impact of bank credit on the weaker sections in Kerala. The study reveals that the financial assistance from the banks has helped many poor and efficient workers to start self-employed business units. The study also reveals that the bank loans help to generate employment opportunities and income of the people thereby increases the standard of living of the poor.
- 6) H.C. Malhotra and Kulshrestha (1987) opines that bank loans will not improve the quality of life of the poor unless the borrower utilizes the fund for productive purposes. To ensure utilization of fund for productive purposes, proper monitoring and supervision by the lending banks are essential. They suggest co-ordination between the lending agencies and minimizing competition to improve the better utilization of fund by the borrowers.
- 7) **N.A. Majumdar (1988)** conducted a study on credit support to priority sector and states that the policy makers do not give due attention to small scale industries sector which contributes 40 per cent of the value added in the manufacturing sector and about 35 per cent of the total exports. But in spite of their involvement, the credit extended to SSI units has declined considerably over the last few years. The capacity utilization in this sector is around 50 per cent (weighted average) and one of the main reasons responsible for the gross under utilization in finance. Timely and adequate availability of credit to this sector would enable the capacity utilization to go up substantially both in the short and the medium term. This would also enhance export capability.
- 8) **N. S. Toor (1993)** requests the banks to change their attitude towards SSI units. He is of the view that most of the problems of SSI units are beyond their control and banks should adopt a helping attitude in dealing with SSI units.

Monitoring, supervision follow up and control are essential to ensure the desired result.

- 9) **A.V. Dhond (1999)** remarks that small scale industries are best suited for a developing country like India for solving the problems of unemployment and capital formation. He reports that small scale industries in India account for 95 per cent of total industrial units. 80 per cent of industrial work force, 50 percent of turnover of manufacturing sector and 36 per cent of total exports. He requests the banks and Governments departments to increase the support to SSI units by evolving new mechanism to deal with dues by SSI units. Sufficient literature on Prime Minister Rozgar Yojana is not available to make a critical analysis of the scheme. The available literature on the subject of often biased and covers some micro aspects of PMRY Scheme. A thorough analysis of these studies reveal that implementing agencies under the Government sponsored developmental schemes has not made much contribution towards the success of the schemes. Moreover most of the commercial banks engaged in financing the sponsored developmental schemes provided loans only because they are under compulsion or obligation. The review of these literatures also throws light to the fact that most of the banks have not achieved their targets under the schemes. Therefore, there is ample scope for the study on the different aspects of the PMRY Scheme in Kerals. The PMRY Scheme is implemented to generate employment opportunities by setting up micro enterprises. There is good scope for research on the problems and impact of the PMRY scheme in a highly literate state like Kerala. This study is also important because the analysis of the available literature reveals that the scholars have not made any attempt to analyses the employment generate by the PMRY units. This study aims at analyzing the role of PMRY units in generating employment in the State of Kerala, mode of lending and utilization of funds by the beneficiaries, attitude of PMRY beneficiaries towards the banking services, experience of the banks and beneficiaries in the scheme. The weakness of the existing machinery is the implementation of the scheme should also be examined and necessary steps should be taken to rectify them.

5.3 THE PRESENT STUDY

Many studies have been conducted in this field of small scale industries. Some studies have been carried out in bank performance. This study is unique in the following aspects; so far, no study is carried out with regard to bank performance as a whole. The study aims at analysing the bank performance in the growth of small scale industries. The present study includes the analysis of problems faced by bank respondents in relation to finance aspects. Thus, the study is unique in nature

Chapter 6

ROLE OF STATE BANK OF INDIA IN THE GROWTH OF SMALL SCALE INDUSTRIES IN NAGPUR DISTRICT

6.1 INTRODUCTION

In the development economy like India there is dominance in mass unemployment and lack of capital, cottage and small industries are the basis of industrial development. Small scale industries have important place in the economy of the country.

In the words of Late Mahatma Gandhi, **“The salvation of India lies with cottage industries”**. Small industries are the key to India’s capacity and its future development. Indian Planning Commission has also accepted the importance of these industries and pointed out, “Cottage and small industries are important part of our economy which can never be neglected.

Keeping in view the special importance of small industries the State Bank of India has done special work for the development of small industries in Nagpur District. The bank provides financial assistance to these industries through various schemes. Besides it also provides other services namely technical assistance, consultancy service etc.

**6.2 LOANS & ADVANCES OF STATE BANK OF INDIA TO SMALL
SCALE INDUSTRIES IN NAGPUR DISTRICT**

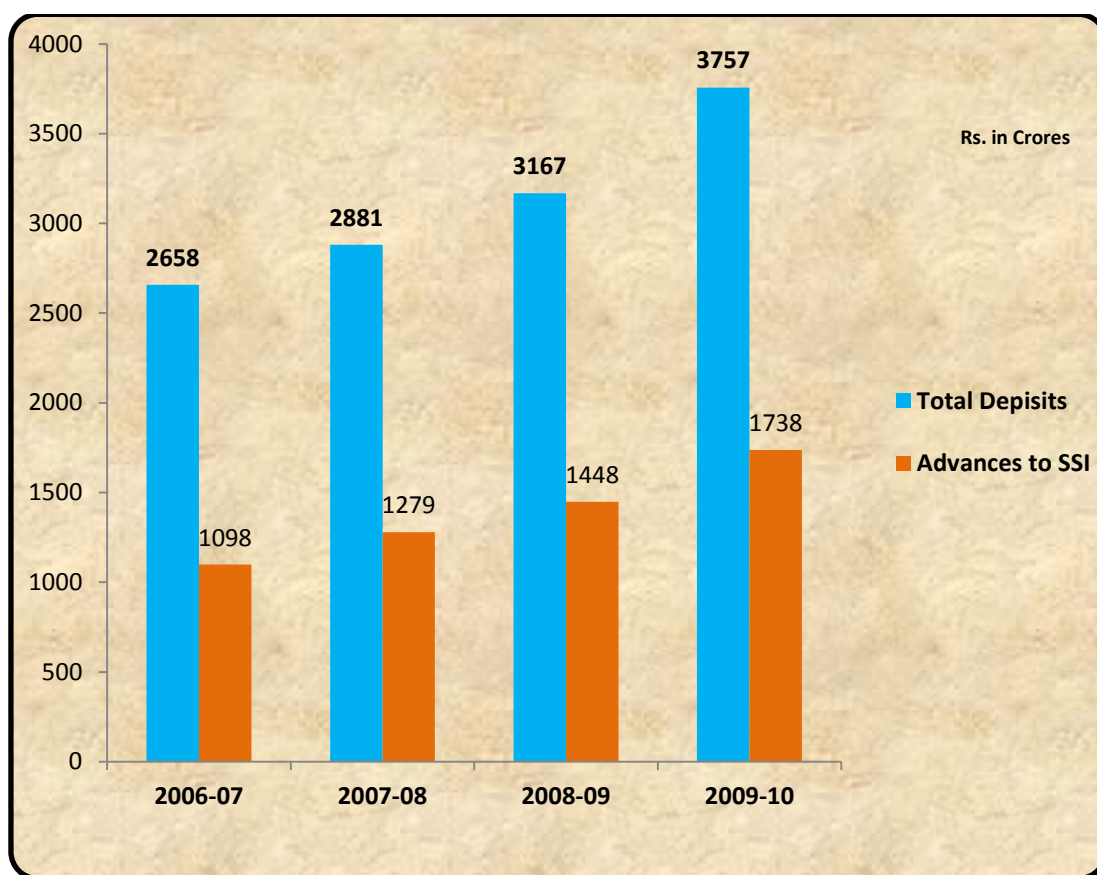
Session 2007-2010

Table No. 6.1

Year	Total Deposits	Total Advances	Advances to SSI	% of SSI advances to total advances
2006-07	4670	2658	1098	41.31
2007-08	4990	2881	1279	44.39
2008-09	5260	3167	1448	45.72
2009-2010	5620	3757	1738	46.26

**Loans & Advances of State Bank Of India to Small Scale
Industries In Nagpur District**

GRAPH 6.1



The above Table No. 6.1 reveals that the financial assistance given to Small Scale Industries was Rs. 1098 Crores in 2006-07. During the period 2007-08 the assistance increased to Rs. 1279 Crores. The credit given by State Bank of India further increased to Rs 1448 Crores in 2008-09 & also increased to Rs. 1738 at the end 2010

Besides financial assistance the bank has also launched many schemes for the development of Small Scale Industries as given under.

1. Entrepreneur Development Scheme
2. Equity Fund Scheme
3. Liberalized Scheme
4. General Purpose Term Loan Scheme
5. Stree Shakti Scheme

6.3 CONTRIBUTION OF STATE BANK OF INDIA FOR ECONOMIC DEVELOPMENT OF SMALL SCALE INDUSTRIES IN NAGPUR DISTRICT

Scheme-wise disbursement of State Bank of India in Nagpur District

Duration 2007-2010

Table No. 6.2

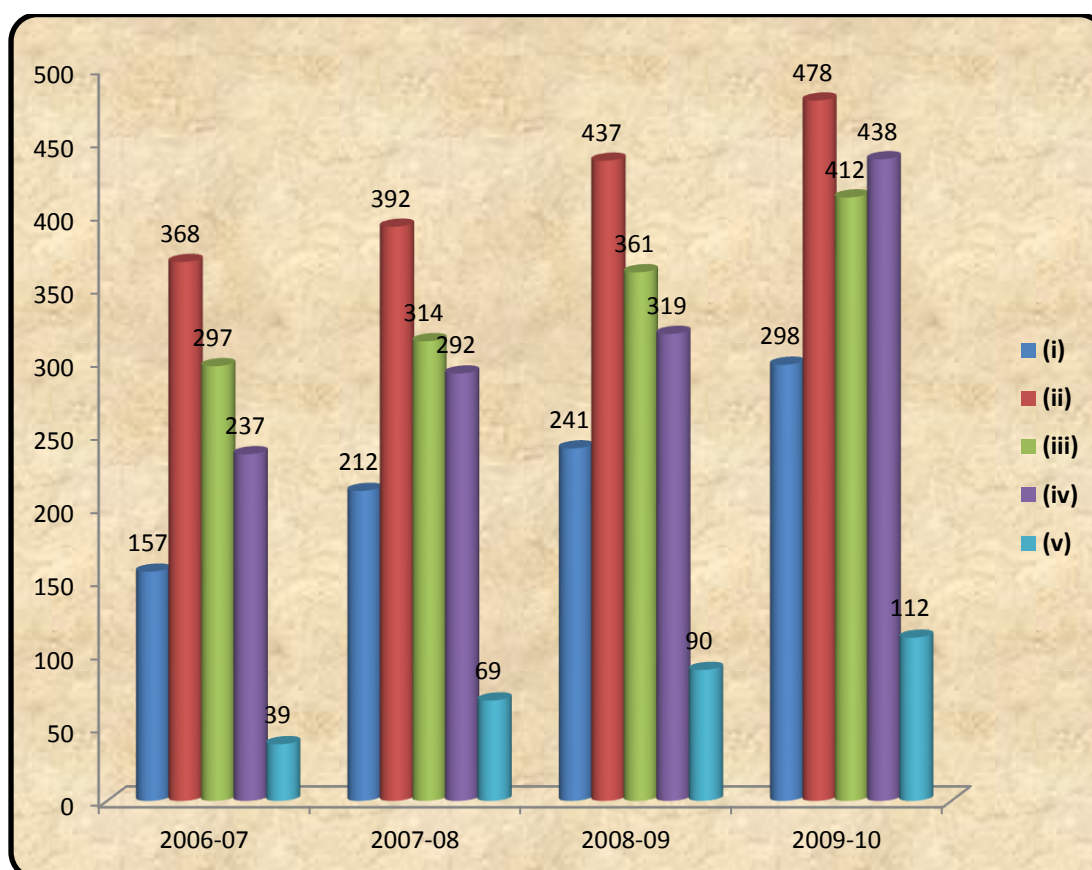
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total Advances to SSI	Schemes of State Bank of India for Small Scale Industries				
				(i) Entrepreneur Scheme	(ii) Equity Fund Scheme	(iii) Liberalize Credit Scheme	(iv) General Purpose Term Loan scheme	(v) Stree Shakti Scheme
06-07	4670	2658	1098	157	368	297	237	39
07-08	4990	2881	1279	212	392	314	292	69
08-09	5260	3167	1448	241	437	361	319	90
09-10	5620	3757	1738	298	478	412	438	112

(Primary Data)

Scheme-wise disbursement of State Bank of India in Nagpur District

GRAPH 6.2



(i) Entrepreneur Scheme

(ii) Equity Fund Scheme

(iii) Liberalize Credit Scheme

(iv) General Purpose Term Loan scheme

(v) Stree Shakti Scheme

6.4 ENTREPRENEUR DEVELOPMENT SCHEME

State Bank of India grants financial assistance to technically qualified, trained and experienced entrepreneurs for setting up new viable industrial projects.

Loans are extended to technocrats who are unable to meet the normal margin requirements under the liberalized schemes.

Eligibility criteria for the Entrepreneur scheme

The borrower has to be a technically qualified person (a degree/diploma holder in engineering or technology), a craftsman with adequate experience or training or a person possessing a degree in business or industrial management, a chartered accountant or a cost accountant with relevant experience.

Types of financial assistance under the Entrepreneur scheme

The bank provides:

- Term loans,
- Working capital and
- Equity fund finance

Margins:

For requirements up to Rs 5 lakh, no margins are involved. For needs ranging from Rs 5 lakh to Rs 20 lakh, the margin is set at 10 per cent.

**Contribution of State Bank of India under Entrepreneur Development Scheme
(EDS) in Nagpur District**

Table No. 6.3

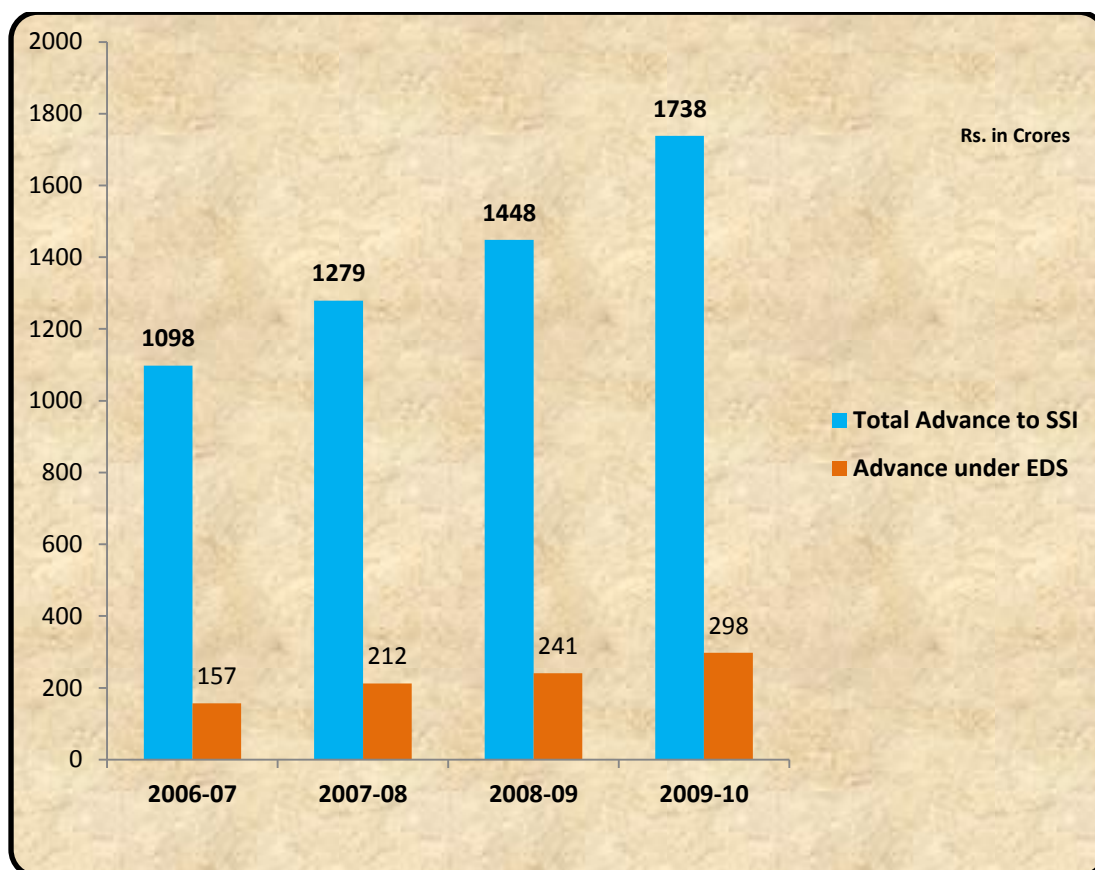
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total advances to SSI	Advances under EDS	% of advances of EDS to total advances
2006-07	4670	2658	1098	157	14.29 %
2007-08	4990	2881	1279	212	16.57 %
2008-09	5260	3167	1448	241	16.64 %
2009-10	5620	3757	1738	298	17.05 %

(Primary Data)

**Contribution of State Bank of India under Entrepreneur Development Scheme
(EDS) in Nagpur District**

GRAPH 6.3



The data relating to the loans and advances of SBI under Entrepreneur development scheme during the period 2007-2010 is shown in Table No.

The total deposits were at Rs. 4670 crores in 2006-07 & increased to Rs. 562 crores in 2009-10.

Loans and advances were at Rs. 1098 crores in 2006-07 & increased to Rs. 1738 crores in 2009-10.

Loans and advances under Entrepreneur Development Scheme of SBI were at Rs. 157 crores in 2006-07, Rs. 212 crores in 2007-08, Rs. 241 crores in 2008-09 & Rs 298 crores in the year 2009-10.

Percent of loans and advances under EDS to total advances to SSI was 14.29 % in 2006-07, 16.57 % in 2007-08, 16.64 % in 2008-09 & 17.15 % in the year 2009-10.

Further, it can also be seen that the loans and advances under Entrepreneur Development Scheme increased from 2006-07 onwards.

7.5 EQUITY FUND SCHEME

Under the Equity Fund scheme, the SBI grants financial assistance to entrepreneurs who are not able to meet their share of equity fully, by way of interest-free loans repayable over a long period.

This type of assistance fills in the gap between the margin requirements in the project and the capital contributed by the promoter. The Equity Fund assistance can be normally repaid over 5 to 7 years after the moratorium period.

Eligibility Criteria for the Equity Fund scheme

The bank extends Equity Fund assistance only to new projects, which are also eligible for the SBI's Liberalized scheme and the Entrepreneur scheme. The project cost has to be more than Rs 25,000.

Type of security

Security available for other loans should be extended to cover equity assistance also.

**Contribution of State Bank of India under Equity Fund Scheme
(EFS) in Nagpur District**

Table No. 6.4

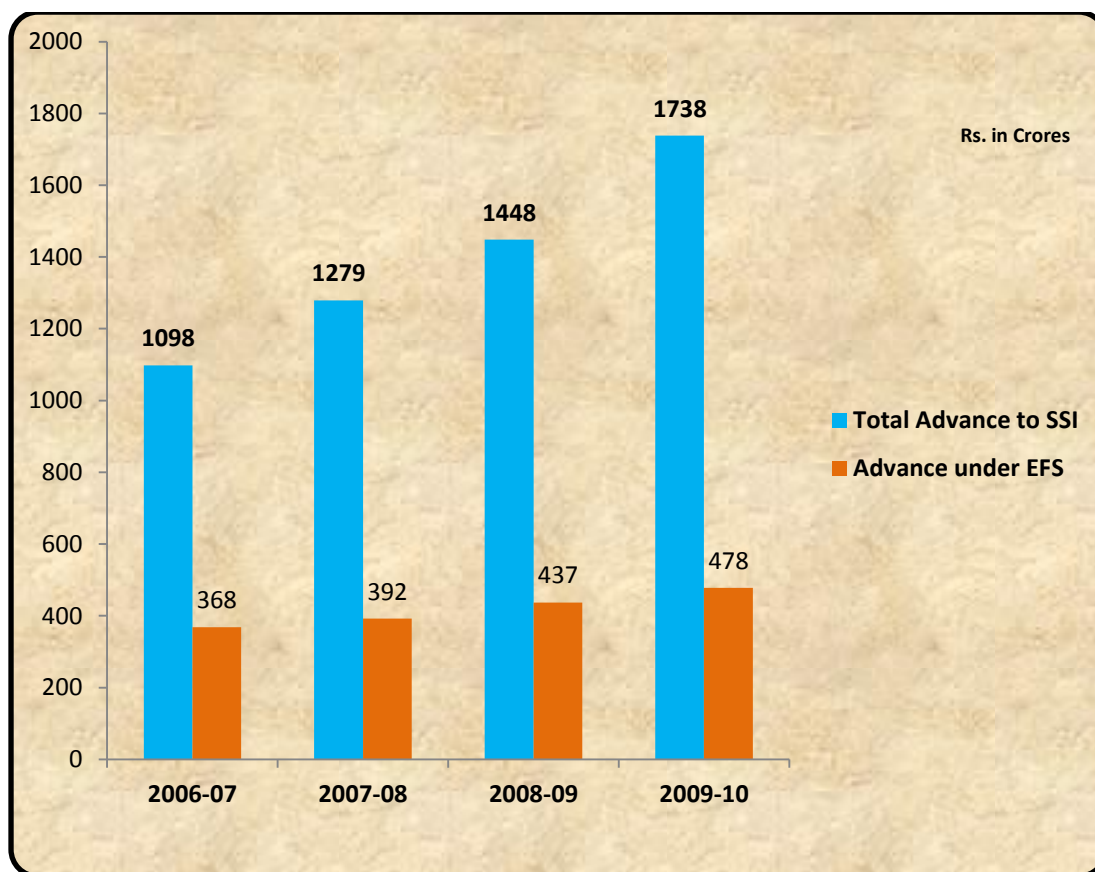
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total advances to SSI	Advances under EFS	% of advances of EFS to total advances
2006-07	4670	2658	1098	368	33.51 %
2007-08	4990	2881	1279	392	30.64 %
2008-09	5260	3167	1448	437	30.17 %
2009-10	5620	3757	1738	478	27.50 %

(Primary Data)

Contribution of State Bank of India under Equity Fund Scheme (EFS) in Nagpur District

GRAPH 6.4



The data relating to the loans and advances of SBI under Equity Fund Scheme (EFS) during the period 2007-2010 is shown in Table No.

The total deposits were at Rs. 4670 crores in 2006-07 & increased to Rs. 562 crores in 2009-10.

Loans and advances were at Rs. 1098 crores in 2006-07 & increased to Rs. 1738 crores in 2009-10.

Loans and advances under Equity Fund Scheme (EFS) of SBI were at Rs. 368 crores in 2006-07, Rs. 392 crores in 2007-08, Rs. 437 crores in 2008-09 & Rs 478 crores in the year 2009-10.

Percent of loans and advances under EFS to total advances to SSI was 33.51 % in 2006-07, 30.64 % in 2007-08, 30.17 % in 2008-09 & 27.50 % in the year 2009-10.

Further, it can also seen that the loans and advances under Equity Fund Scheme (EFS) increased from 2006-07 onwards.

6.6 LIBERALIZED CREDIT FOR SSI

State Bank of India extends production-linked credit facilities to small-scale industries, ancillary industrial units and village and cottage industrial units on liberal terms and conditions.

Under this scheme, the quantum of advances is not linked to the security furnished, but the genuine requirements of the unit.

The pricing of the loan is based on credit assessment, and the units with strong ratings may be given finer rates.

No collateral security is required for loans up to Rs 5 lakh. Composite term loans can be sanctioned up to Rs 25 lakh combining term loan and working capital.

Types of financial assistance under the Liberalized scheme

The Liberalized scheme offers a range of financial products including the following:

- Term loans for acquisition of fixed assets
- Working capital loans financing current assets
- Letter of credit for acquisition of machinery and purchase of raw materials
- Bank guarantee in lieu of security deposits to be made with government department/other departments for execution of orders.
- Deferred payment guarantees for purchase of machinery on deferred payment basis.
- Bill facility for purchase of raw materials and for sale of finished goods.
- Composite loans (term loans plus working capital) up to Rs 25 lakh.

Margins applicable

For requirements up to Rs 25,000, no margins are involved. For limits ranging from Rs 25,000 to Rs 5 crore, the margin is set at 20 per cent.

For credit limits above Rs 5 crore, a 25 per cent margin may be applied.

**Contribution of State Bank of India under Liberalized Credit
Scheme (LCS) in Nagpur District**

Table No. 6.5

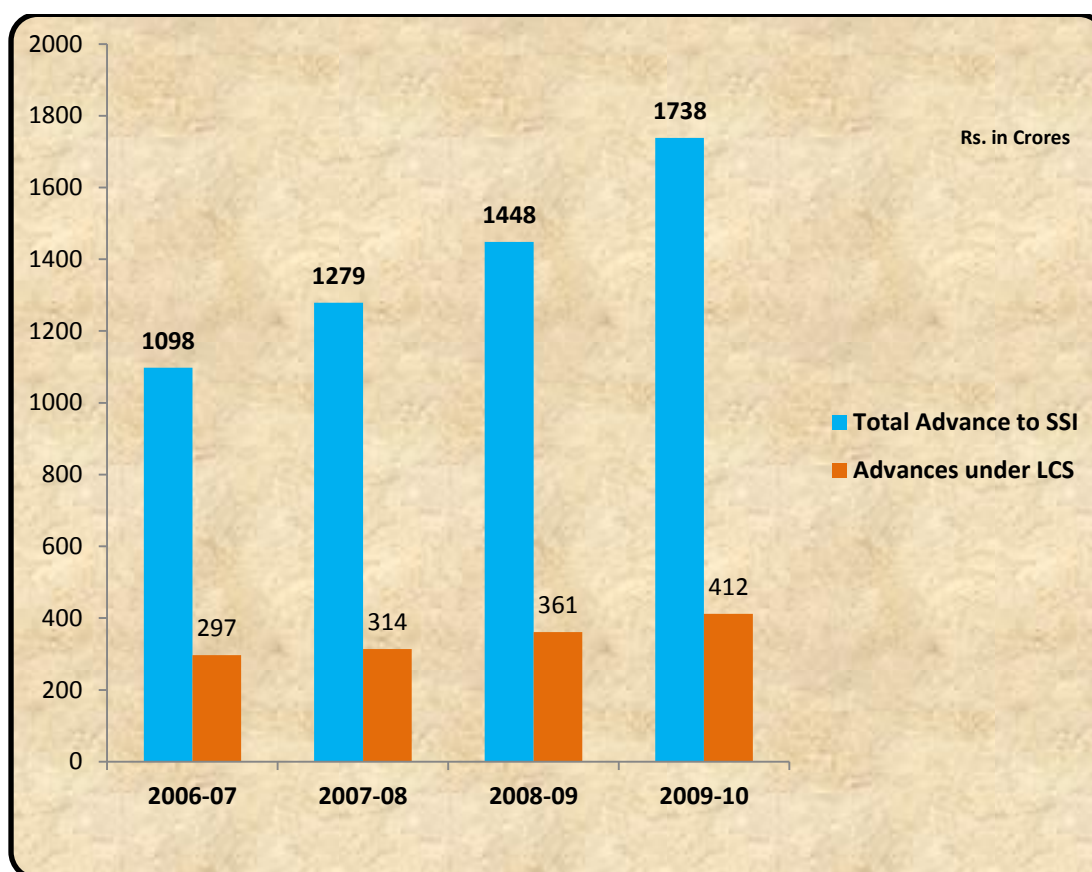
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total advances to SSI	Advances under LCS	% of advances of LCS to total advances
2006-07	4670	2658	1098	297	27.04 %
2007-08	4990	2881	1279	314	24.55 %
2008-09	5260	3167	1448	361	24.93 %
2009-10	5620	3757	1738	412	23.70 %

(Primary Data)

**Contribution of State Bank of India under Liberalized Credit
Scheme (LCS) in Nagpur District**

GRAPH 6.5



The data relating to the loans and advances of SBI under Liberalised Credit Scheme (LCS) during the period 2007-2010 is shown in Table No.

The total deposits were at Rs. 4670 crores in 2006-07 & increased to Rs. 562 crores in 2009-10.

Loans and advances were at Rs. 1098 crores in 2006-07 & increased to Rs. 1738 crores in 2009-10.

Loans and advances under Liberalised Credit Scheme (LCS) of SBI were at Rs. 297crores in 2006-07, Rs. 314 crores in 2007-08, Rs. 361 crores in 2008-09 & Rs 412 crores in the year 2009-10.

Percent of loans and advances under LCS to total advances to SSI was 27.04 % in 2006-07, 24.55 % in 2007-08, 24.93 % in 2008-09 & 23.70 % in the year 2009-10.

Further, it can also seen that the loans and advances under Liberalised Credit Scheme (LCS) increased from 2006-07 onwards.

6.7 GENERAL PURPOSE TERM LOANS

State Bank of India grants term loans to small scale industries for meeting general commercial purposes like substitution of high cost debt research and development, shoring up net worth and funding business expansion.

The tenor of the loan is normally is 3 years, and the pricing is fine-tuned to suit the risk profile of the borrower. The repayment is structured in monthly or quarterly installments, according to the cash generation cycle.

Eligibility Criteria for these term loans

The SSI unit that takes the loan should not have any history of defaults in payment of interest or installments of the principal. The unit should have a strong performance record and a respectable credit rating as per the bank's own credit assessment scales (In case of loan above Rs. 25 lakhs) .

Type of security/guarantee required for the loan

Extension of hypothecation charge over the current assets and fixed assets is required as primary security. Further, the borrower whose aggregate loans with the Bank exceed Rs 5 lakh may explore the possibility of collateralizing tangible security such as immovable property and third party guarantee. In all cases, personal guarantees of proprietors/partners/promoters have to be furnished.

Margins applicable

A minimum margin of 25 per cent is applicable for acquisition of land and building, building construction, renovation of offices, showrooms, godowns, purchase of equipment, vehicles etc. In other words, the quantum of the loan will be restricted to 75 per cent of the total expenditure.

**Contribution of State Bank of India under General Purpose Term Loan
Scheme (GPTL) in Nagpur District**

Table No. 6.6

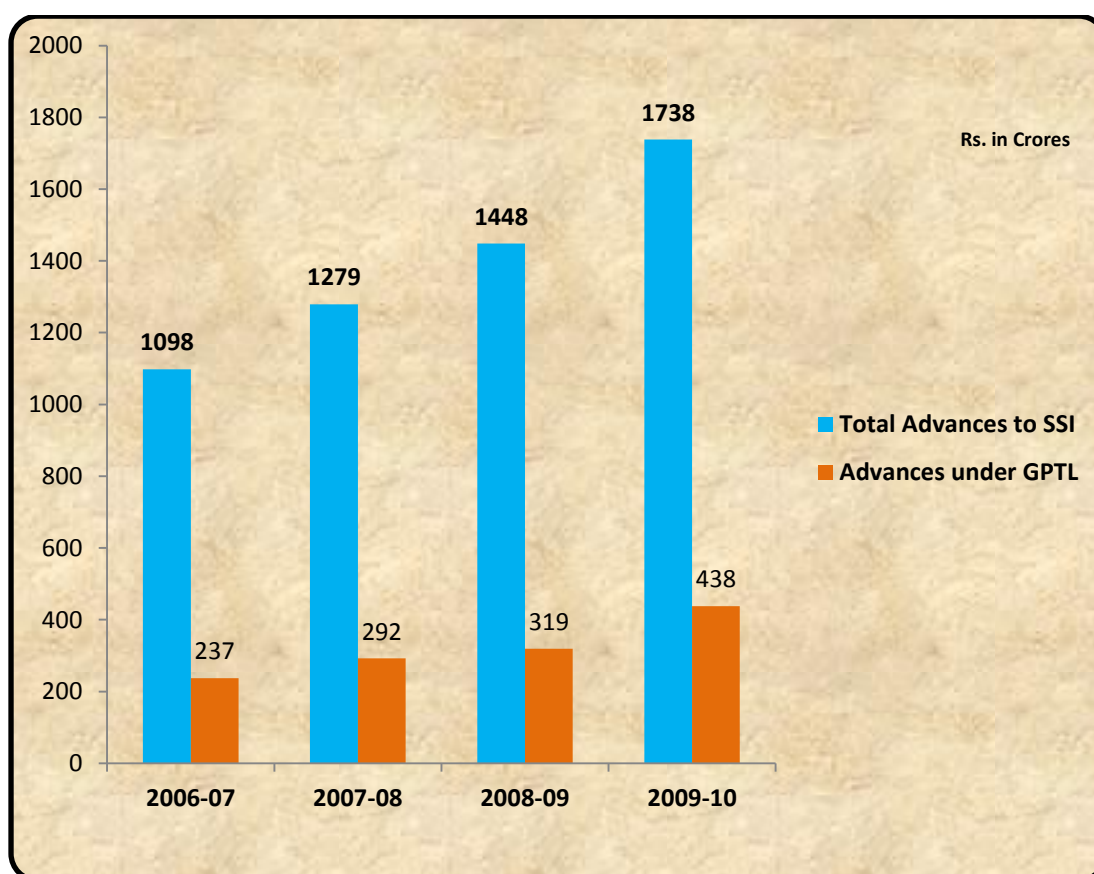
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total advances to SSI	Advances under GPTL	% of advances of GPTL to total advances
2006-07	4670	2658	1098	237	21.58 %
2007-08	4990	2881	1279	292	22.83 %
2008-09	5260	3167	1448	319	22.03 %
2009-10	5620	3757	1738	438	25.20 %

(Primary Data)

**Contribution of State Bank of India under General Purpose Term Loan
Scheme (GPTL) in Nagpur District**

GRAPH 6.6



The data relating to the loans and advances of SBI under General Purpose Term Loan Scheme (GPTL) during the period 2007-2010 is shown in Table No.

The total deposits were at Rs. 4670 crores in 2006-07 & increased to Rs. 562 crores in 2009-10.

Loans and advances were at Rs. 1098 crores in 2006-07 & increased to Rs. 1738 crores in 2009-10.

Loans and advances under General Purpose Term Loan Scheme (GPTL) of SBI were at Rs. 237crores in 2006-07, Rs. 292 crores in 2007-08, Rs. 319 crores in 2008-09 & Rs 438 crores in the year 2009-10.

Percent of loans and advances under (GPTLS) to total advances to SSI was 21.58 % in 2006-07, 22.83 % in 2007-08, 22.03 % in 2008-09 & 25.20 % in the year 2009-10.

Further, it can also seen that the loans and advances under General Purpose Term Loan Scheme (GPTLS) increased from 2006-07 onwards.

6.8 STREE SHAKTI PACKAGE

The Stree Shakti Package is a unique scheme run by the SBI, aimed at supporting entrepreneurship among women by providing certain concessions. An enterprise should have more than 50% of its share capital owned by women to qualify for the scheme.

The concessions offered under the Stree Shakti Package are:

- The margin will be lowered by 5% as applicable to separate categories.
- The interest rate will be lowered by 0.5% in case the loan exceeds Rs 2 lakh.
- No security is required for loans up to Rs 5 lakh in case of tiny sector units.

**Contribution of State Bank of India under Stree Shakti Scheme (SSS) in Nagpur
District**

Table No. 6.7

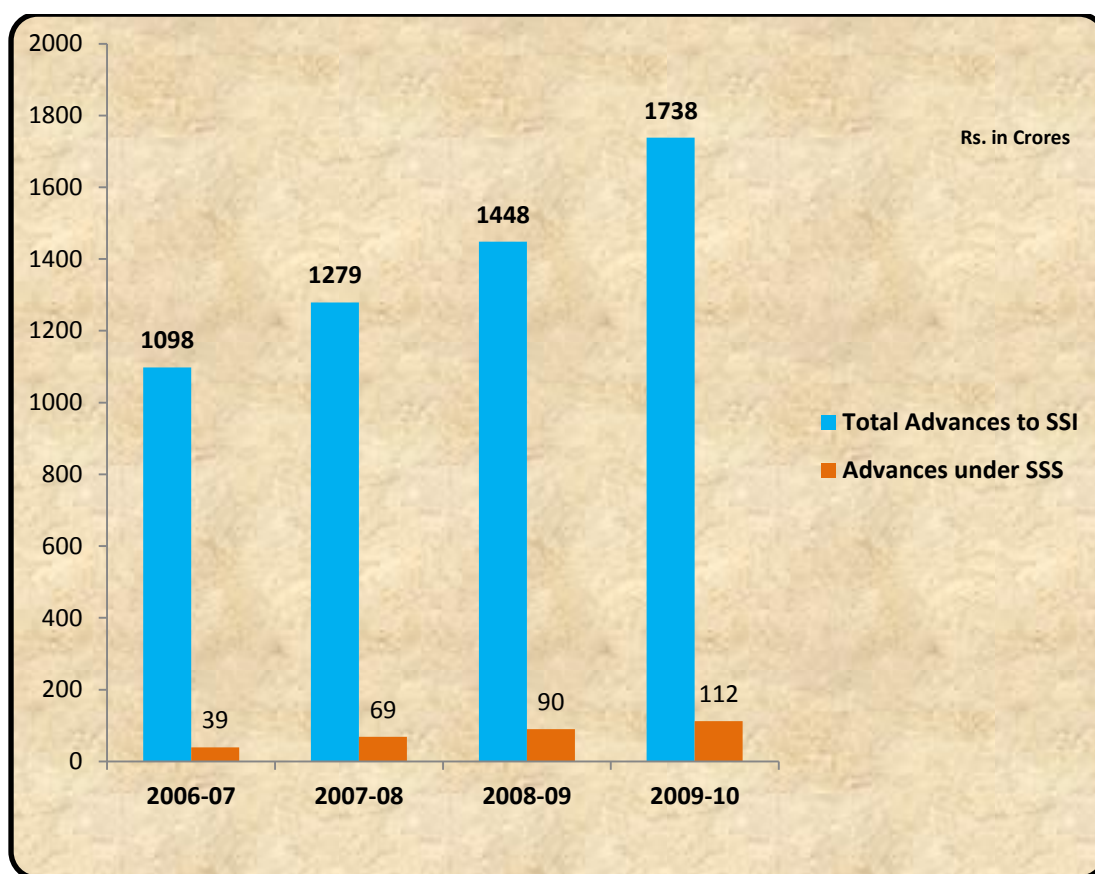
(Rs. In Crores)

Year	Total Deposits	Total Advances	Total advances to SSI	Advances under SSS	% of advances of SSS to total advances
2006-07	4670	2658	1098	39	3.55 %
2007-08	4990	2881	1279	69	5.39 %
2008-09	5260	3167	1448	90	6.21 %
2009-10	5620	3757	1738	112	6.44 %

(Primary Data)

**Contribution of State Bank of India under Stree Shakti
Scheme (SSS) in Nagpur District**

GRAPH 6.7



The data relating to the loans and advances of SBI under Stree Shakti Scheme (SSS) during the period 2007-2010 is shown in Table No.

The total deposits were at Rs. 4670 crores in 2006-07 & increased to Rs. 562 crores in 2009-10.

Loans and advances were at Rs. 1098 crores in 2006-07 & increased to Rs. 1738 crores in 2009-10.

Loans and advances under Stree Shakti Scheme (SSS) of SBI were at Rs. 39crores in 2006-07, Rs. 69 crores in 2007-08, Rs. 90 crores in 2008-09 & Rs 112 crores in the year 2009-10.

Percent of loans and advances under SSS to total advances to SSI was 3.55 % in 2006-07, 5.39 % in 2007-08, 6.21 % in 2008-09 & 6.44 % in the year 2009-10.

Further, it can also seen that the loans and advances under Liberalised Credit Scheme (SSS) increased from 2006-07 onwards.

Chapter 7

PERCEPTION OF SSI UNIT RESPONDENT

7.1 INTRODUCTION

Entrepreneurship is a skill that can be exhibited courage and achievement motivation for becoming an entrepreneur. They face multiple problems are continues and remedies are very little. Finance is one of the major problems for small scale units. Perception of problem and solution and solution may depend upon the age, family, educational qualification and other socio-economist aspects. In this study the sample respondents are conducted and primary data are collected for the purpose of identifying the pattern of trade, factors influencing entrepreneur and various problems faced by them in managing the small scale units.

SSI respondents are those respondents who own SSI units and they are asked to state about the activities and functioning of SSI units in the Nagpur District. The details collected are analyzed in this chapter.

7.2 PROFILE OF THE RESPONDENTS

The sample respondents are classified on the basis of age, sex, location, general educational qualification & status in the type of units. The details are shown in the table for analysis.

Table 6.1 shows the details of sample respondents with reference to their age, location, general educational qualification & status.

Table 7.1

Profile of the Respondents

Profile	Type				Total	%
	Industry	%	Service	%		
Age						
Below 30	08	11.43	06	20.00	14	14.00
30-40	42	60.00	14	46.67	56	56.00
40-50	12	17.14	09	30.00	21	21.00
Above 50	08	11.43	01	3.33	09	9.00
Total		70	100.0	30	100.0	100.00
Sex						
Male	49	70.00	17	56.67	66	66.00
Female	21	3.00	13	43.33	34	34.00
Total	70	100.0	30	100.0	100	100.0
Location						
Urban	13	18.57	09	30.00	22	22.00
Semi-Urban	37	52.86	09	30.00	46	46.00
Rural	30	28.57	12	40.00	32	32.00
Total	70	100.0	30	100.0	100	100.0
General Educational Qualification						
Graduate	05	7.14	04	13.33	09	9.00
Post Graduate	25	35.71	16	53.33	41	41.00
Engineering	09	12.86	08	26.67	17	17.00
MBA	31	44.29	02	6.67	33	33.00
Total	70	100.0	30	100.0	100	100.0
Status						
Proprietor	43	61.43	18	60.00	61	61.00
Partner	27	38.57	12	40.00	39	39.00
Total	70	100.0	30	100.0	100	100.0

It is found that, among the industry respondents 11.43% are less than 30 years of age, 60% are between 30-40 years age, 17.14 % are between 40-50 years of age & 11.43% are above 50 years of age.

It is seen that details of sample respondents with reference to their sex and type of unit, among the industry respondents 70 % male and 30 % belongs to the female. Among the service respondents, 56.67 % are male and 43.33 % are female.

It is seen that details of sample respondents with reference to their location of units, among the industry respondents, 18.57 % of respondents are locating their units in urban areas, 52.86 % in semi-urban and 28.57 % in rural area.

Among the industry respondents, 7.14% has completed graduation, 35.71 % has completed post graduation, 12.86 % has completed engineering and 44.29 % has finished MBA qualification. Among the service respondents, 13.33 % are graduates, 53.33 % are post graduates, 26.67 % are engineering and 6.67% are MBA.

It shows the status of respondents in firm among the industry and service respondents, 61.43 % are proprietors and 38.57 % are partners. Among the service respondents 60% are proprietors & 40% are partners.

7.3 Generation

Generation is one of the major factors which influence the entrepreneur to start and continue the industries. The sample respondents are classified into first, second and third generation and are classified as industry and service units. The details are shown in the table for analysis.

Table 7.2

Profile	Type				Total	%
	Industry	%	Service	%		
Generation						
First	08	11.43	06	20.00	14	14.00
Second	49	70.00	18	60.00	67	67.00
Third	13	18.57	06	20.00	19	19.00
Total	70	100.00	30	100.00	100.0	100.00

Table 7.2 reveals the sample respondents with reference to their generation and type of unit. It is found that, among the industry respondents 11.43 % belongs to first generation, 70 % belong to second generation, 18.57% belongs to third generation.

Among the service respondents, 20% belong to first generation, 60 % belongs to second generation, and 20% belongs to third generation.

Generation does not significantly differ among the industry and service respondents.

7.4 Purpose of SSI loan obtained

The sample respondents are classified on the basis of purpose of SSI loan obtained. The details are shown in the table for analysis.

Table 7.3

Profile	Type				Total	%
	Industry	%	Service	%		
Purpose of SSI Loan of Obtained						
Start a new industry	15	21.43	08	26.67	23	23.00
Expansion of SSI	34	48.57	17	56.67	51	51.00
Reconstruct of SSI	10	14.28	01	3.33	11	11.00
Other	11	15.72	04	13.33	15	15.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.3 shows the details of respondents regarding purpose of SSI loan obtained from SBI. It is found that, among the industry 21.43 % respondents taken SSI loan to start a new industry, 48.57 % respondents taken loan for expansion of SSI, 14.28 respondents taken loan for construct f SSI & 15.72 % respondents taken loan for other purpose.

Among the service respondents, 26.67 % respondents taken loan to start a new industry, 56.67 % respondents taken loan for expansion of SSI & 3.33 % loan taken for reconstruct of SSI and 13.33 respondents taken loan for other purpose.

7.5 Rate of Interest

The level of interest rate in India has significantly increased during 1951-1997, but the extent of increased from different rates. The details of the respondents' opinion are shown in the table for analysis

Table 7.4

Profile	Type				Total	%
	Industry	%	Service	%		
Rate of Interest						
Highly Satisfied	16	22.86	05	16.67	21	21.00
Satisfied	47	67.14	20	66.67	67	67.00
Dissatisfied	05	7.14	03	10.00	08	8..00
Highly dissatisfied	02	2.86	02	6.67	04	4.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.4 shows the details of respondents' satisfaction regarding rate of interest. It is found that, among the industry respondents, 22.86% is highly satisfied, 67.14% satisfied, 7.14% dissatisfied & 2.86% highly dissatisfied regarding the rate of interest of SBI for SSI in Nagpur district.

Among the service respondents, 16.67% is highly satisfied, 66.67% satisfied, 10% is dissatisfied & 6.67% is highly dissatisfied.

This shows that rate of interest does not significantly differ among the industry & service respondents.

7.6 Schemes of SBI for SSI

There are various schemes of SBI for the development of SSI in Nagpur district like Entrepreneur Development Scheme (EDS), Equity Fund Scheme (EFS), Liberalized Credit Scheme (LCS), General Purpose Term Loan Scheme (GPTL) & Stree Shakti Scheme (SSS) etc. the details of the respondents opinion are shown in the table for analysis

Table 7.5

Profile	Type				Total	%
	Industry	%	Service	%		
Schemes of SBI						
Highly Satisfied	30	42.86	08	26.67	38	38.00
Satisfied	35	50.00	20	66.67	55	55.00
Dissatisfied	03	4.28	01	3.33	04	4.00
Highly dissatisfied	02	2.86	01	3.33	03	3.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.5 shows the details of respondents satisfaction regarding loan schemes of SBI. It is found that, among the industry respondents 42.86% is highly satisfied, 50% satisfied, 4.28% dissatisfied & 286% highly dissatisfied regarding the schemes of SBI for SSI.

Among the service respondents, 26.67% is highly satisfied, 66.67% satisfied, 3.33% is dissatisfied & 3.33% is highly dissatisfied.

7.7 Attitude of officials

The sample respondents are classified on the basis of time taken for sanction of loan. The details are shown in the table for analysis.

Table 7.6

Profile	Type				Total	%
	Industry	%	Service	%		
Attitude of Officials						
Highly Satisfied	06	8./57	03	10.00	09	09.00
Satisfied	52	74.29	24	80.00	76	76.00
Dissatisfied	08	11.43	02	6.67	10	10.00
Highly dissatisfied	04	5.71	01	3.33	05	05.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.6 shows the details of respondents' satisfaction regarding the attitude of officials of SBI. It is found that, among the industry respondents 8.57% is highly satisfied, 74.29% satisfied, 11.43% dissatisfied & 5.71 % highly dissatisfied regarding the attitude of officials of SBI.

Among the service respondents, 10 % is highly satisfied, 80 % satisfied, 6.67 % is dissatisfied & 3.33% is highly dissatisfied.

This shows that attitude of officials does not significantly differ among the industry & service respondents.

7.8 Time taken for sanction of loan

The sample respondents are classified on the basis of time taken for sanction of loan. The details are shown in the table for analysis.

Table 7.7

Profile	Type				Total	%
	Industry	%	Service	%		
Time taken for sanction of Loan						
Less than 15 days		-	-	-	-	-
15 to 30 days	12	17.14	05	16.67	17	17.00
30 to 45 days	48	68.57	22	73.33	70.	70.00
45 to 60 days	10	14.29	03	10.00	13	13.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.7 shows to details of time taken for sanction of loan by respondents. It is found that, among the industry, 17.14 % respondents taken time between 15 to 30 days for sanction of loan, 68.57 % between 30 to 45 days and 14.29% between 45 to 60 days.

Among the service, 16.67 % respondents had taken time between 15 to 30 days for sanction of loan, 73.33 % between 30 to 45 days & 10 % between 45 to 60 days.

7.9 Problem faced in various stages

The sample respondents are classified on the basis of problem faced in various stages while loan taken from SBI. The details shown in the table for analysis.

Table 7.8

Profile	Type				Total	%
	Industry	%	Service	%		
Problem faced in various stages						
Application stage	08	11.43	05	16.67	13	13.00
Processing stage	48	68.57	17	56.67	65	65.00
Sanction stage	07	10.00	06	20.00	13	13.00
Disbursement stage	04	5.71	02	6.67	06	6.00
Repayment stage	03	4.29	-	-	03	3.00
Total	70	100.00	30	100.00	100.0	100.00

The table 7.8 shows the details of respondents' problems in various stages of loans and advances of SBI. It is found that, among the industry 11.43 % respondents faced on application stage, 68.57% on processing stage, 10 % on sanction stage, 5.71 % on disbursement stage and 4.29 % on repayment stage.

Among the service 16.67 % respondents faced on application stage, 56.67 % on processing stage, 20.00 on sanction stage and 6.67 % on disbursement stage.

Entrepreneurs are risk-taking people and their role in economic development is highly commendable. The details relating to their socio-economical aspects, generation, and source of finance, loan detail, role of SBI in financing units and various assistance extended by SBI in Nagpur district are analysed in depth. Various hypotheses are framed and tested with statistical tools. The overall scenarios of SSI and Service industry perceived by sample respondents are shown.

Chapter 8

CONCLUSION AND SUGGESTIONS

8.1 INTRODUCTION:

Finance is the basic requirement for any business. Public and private sector banks are doing yeomen services to industrial sector. The services rendered by the banks for various sectors of the economy including industries are analyzed. State bank of India is supposed to play an important role in achieving the objective of the development of Nagpur district by providing effective institutional assistance to various sectors and sections. The role of small scale industries and the financing pattern are studied in the previous chapter. Now some of the important findings are given in this chapter.

8.2 Conclusions:

Role of SBI in industrial development is highly recognized in Nagpur district. There were 59 bank branches of SBI in Nagpur district up to 2009-2010 in which 26 branches in Semi urban area, 08 branches in urban areas & 25 branches in rural areas.

State Bank has advanced maximum amount of SSI loan from its branches in Nagpur district during the study period.

It is significantly noted that there is a continuous rise in amount of SSI loans made by the SBI to these sectors during the 4 years during 2006-07 to 2009-2010

The financial assistance given by SBI to Small Scale Industries was Rs. 1098 Crores in 2006-07. During the period 2007-08 the assistance increased to Rs. 1279 Crores. The credit given by State Bank of India further increased to Rs 1448 Crores in 2008-09 & also increased to Rs. 1738 at the end 2010

Besides financial assistance the bank has also launched many schemes for the development of Small Scale Industries like Entrepreneur Development Scheme, Equity Fund Scheme, Liberalized Scheme, General Purpose Term Loan Scheme, Stree Shakti Scheme etc.

It is seen that, the State Bank of India provides more advances to small scale industries in Nagpur District during the period 2007-2010 and the bank has fixed target to provide such credit.

Loans and advances under Entrepreneur Development Scheme of SBI were at Rs. 157 crores in 2006-07, Rs. 212 crores in 2007-08, Rs. 241 crores in 2008-09 & Rs 298 crores in the year 2009-10.

Percent of loans and advances under EDS to total advances to SSI was 14.29 % in 2006-07, 16.57 % in 2007-08, 16.64 % in 2008-09 & 17.15 % in the year 2009-10.

Loans and advances under Equity Fund Scheme (EFC) of SBI were at Rs. 368 crores in 2006-07, Rs. 392 crores in 2007-08, Rs. 437 crores in 2008-09 & Rs 478 crores in the year 2009-10.

Percent of loans and advances under EFS to total advances to SSI was 33.51 % in 2006-07, 30.64 % in 2007-08, 30.17 % in 2008-09 & 27.50 % in the year 2009-10.

Loans and advances under Liberalised Credit Scheme (LCS) of SBI were at Rs. 297crores in 2006-07, Rs. 314 crores in 2007-08, Rs. 361 crores in 2008-09 & Rs 412 crores in the year 2009-10.

Percent of loans and advances under LCS to total advances to SSI was 27.04 % in 2006-07, 24.55 % in 2007-08, 24.93 % in 2008-09 & 23.70 % in the year 2009-10.

Loans and advances under General Purpose Term Loan Scheme (GPTL) of SBI were at Rs. 237crores in 2006-07, Rs. 292 crores in 2007-08, Rs. 319 crores in 2008-09 & Rs 438 crores in the year 2009-10.

Percent of loans and advances under (GPTLS) to total advances to SSI was 21.58 % in 2006-07, 22.83 % in 2007-08, 22.03 % in 2008-09 & 25.20 % in the year 2009-10.

Loans and advances under Stree Shakti Scheme (SSS) of SBI were at Rs. 39crores in 2006-07, Rs. 69 crores in 2007-08, Rs. 90 crores in 2008-09 & Rs 112 crores in the year 2009-10.

Percent of loans and advances under SSS to total advances to SSI was 3.55 % in 2006-07, 5.39 % in 2007-08, 6.21 % in 2008-09 & 6.44 % in the year 2009-10.

The educational status of the borrowers under SSI landings by SBI in the study area indicates a moderately satisfactory level of education of the borrowers. Majority of them had education ranging PG level.

The study has revealed that maximum number of SSI sector loan beneficiaries have been male borrowers in study area. The research findings indicate a slow development of entrepreneurship among women as only 34% of the borrowers under the priority sector lending have female borrowers.

8.3 SUGGESTIONS

1. Gross bank credit has increased but steps are to be taken to ensure that all sections of SSI are suitably benefited due to this increased.
2. SBI should increase the number of schemes of SSI advances so more and more people can get the benefit of the schemes.
3. SBI should introduce more schemes for women entrepreneur so more women come forward in this sector.
4. Steps are to be taken to provide liberal assistance to the SSI sector in the initial stages to assist higher growth in this area.
5. Rate of interest may be determined in such a way that SSI sector is hardly hit by the fluctuations in the interest rate.
6. Entrepreneur is a challenging task and steps are to be taken in the school level to provide the motivation for becoming entrepreneur in future. The superiority of status of entrepreneur over employee should be emphasized at all level.
7. Liberal technical assistance at lesser cost may be provided to SSI entrepreneur and modifications and modernizations may be advocated.
8. Liberal working capital to SSI sector may be help to minimize the distress of the entrepreneur to a maximum extent.
9. Loans required for SSI units at unforeseen circumstances may be provided based on the circumstances of each and every case individually.
10. Requirements of documents at the initial stages may be relaxed so that there is no undue hardship to SSI units.
11. Guarantee requirements for providing loans may be relaxed in the case of SSI units and local governments may act as guarantor.
12. Credit worthiness of individual entrepreneur and their capabilities can be assessed with utmost care and caution and assistance needed it any can be got from professional credit assessment firms.
13. Quantity of loan should be as per requirements and any excess of lesser amount may not be utilized in a profitable manner by the SSI units.

14. Penal interest provisions may be relaxed in the case of SSI entrepreneur in genuine cases and on individual merits and circumstances.
15. Margin money requirements may be relaxed to certain cases on the merits of cases.
16. Financial assistance is not a onetime affair. Continuous monitoring of financial performance of SSI units by the financial units is highly needed. Customer relationship management practices may help the financial institutions to perform better in this aspect.
17. There seems to be less rate of expansion of SBI branches in Nagpur district at present, this may be due to the introduction of ATMs and online services, Steps may be taken on install ATM machines at safe and secured places near rural area of Nagpur , so that the debt cards are reasonably used by the rural people.
18. State Bank of India should speed up their performance regarding industrial sectors lending. As their performance in terms of small scale industrial and other priority sector advances was slower than that of private sector banks. Besides giving impetus to other priority sector advances, banks should lay stress on small scale industries advances also, as their performance is deteriorating in this regard.
19. Considering the importance of priority sector advances in the Nagpur District where Small Scale industries is the major sector, it is suggested that the State Bank of India should make committed efforts to achieve the national targets for industrial sector. So that the major proportion of beneficiaries may be benefited.
20. State Bank of India should be given some incentives to achieve the targets set for priority sector.
21. Proper awareness should be given to public regarding the schemes of priority sector by RBI.

Chapter 9

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Manor Research Project (UGC)

“An Analytical study of Contribution of State Bank of India in the Growth of Small Scale Industries in Nagpur District (2007-2010)”

QUESTIONNAIRE

(A) Interview Schedule- For SSI Respondents

1. Name of
Industry:_____
2. Name of
Proprietor/Partner:_____
3. Address:_____

4. Type of
Industry:_____
5. Age of Partner/Proprietor
 - a. Below 30
 - b. 30-40
 - c. 40-50
 - d. 50 & above
6. Sex:
 - a. Male
 - b. Female
7. General Educational Qualification:
 - a. Graduate

- b. Post Graduate
 - c. Engineering
 - d. MBA
8. Generation of being entrepreneur:
- a. First Generation
 - b. Second Generation
 - c. Third Generation
9. Status of the respondents in the firm:
- a. Proprietor
 - b. Partner
- (B) Data relating to SSI Finance**
10. Purpose of SSI loan obtained?
- a. Start a new industry
 - b. Expansion of SSI
 - c. Reconstruction of SSI
 - d. Other
11. Rate of interest at the time of getting loan from SBI
- a. Less than 5 %
 - b. 5 to 7 %
 - c. 7 to 9 %
 - d. Above 9 %

(C) Application & Sanction stage

12. Are you satisfied with the schemes of SSI given by SBI?
- a. Highly satisfied
 - b. Satisfied
 - c. Dissatisfied
 - d. Highly dissatisfied
13. Are you satisfied with attitude of the officials at the time of applying?
- a. Highly satisfied
 - b. Satisfied
 - c. Dissatisfied
 - d. Highly dissatisfied
14. Time taken for sanction of loan:
- a. Less than 15 days
 - b. 15 to 30 days
 - c. 30 to 45 days
 - d. 45 to 60 days
15. Problems faced in various stages:
- a. Application stage
 - b. Processing stage
 - c. Sanction stage
 - d. Repayment stage

16. Will you recommend the same bank to other for SSI loan?

a. Yes b. No

17. Other if any:

18. Any other aspects:

Signature

Proprietor/Partner