

A Study on Contribution of State Bank of India to Small Scale Industry

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Abstract

Finance is an imperative input for the industry. On behalf of a small scale industry, the necessitate for finance is very essential due to its limited resources. The sources of finance for small scale industries are of two types they are internal and external sources. The role of commercial banks in the procedure of economic development is well recognized. The main rotating point in Indian financial systems when 14 major banks were nationalized. National Small Industries Corporations Limited and the like. The State bank of India lending to the small-scale industries in Trichy district, compared to the public sector and the priority sector lending. The trend values showed that the target has increased faster than the actual amount of advances. The recovery rate of the SSI advances is a maximum of 69% in Trichy district.

Key word: *Finance, Small Scale Industry, SBI.*

Introduction

Finance is an important input for the industry. In a small scale industry, the need for finance is extremely essential due to its limited resources. The source of finance for small scale industries is of two types domestic and exterior. The domestic sources consist of initial capital and profits reinvested. The exterior sources consist of loans and other assistance from the institutional and non-institutional sources. This paper attempts to study the extent of bank finance made available to small-scale industries at the National level, Tamil Nadu level, and Tiruchirappalli district. It is believed that the working capital support extended by commercial banks to the small-scale industry is far from adequate. This paper examines the trends in the sectoral allocation of bank credit to the SSI in the non-SSI sector in the post-reform period. The paper also makes an effort to appreciate the variations in bank credit to the SSI sector across bank groups, and also the influence of the size and performance of banks on credit to the SSI sector. The fallout specifies that the high incidence of bad loans arising out of SSI advances

could be one of the reasons for the declining share of SSI loans of commercial banks. Thereafter there was re-orientation of credit flows, so as to benefit the till then neglected sectors such as agriculture, small scale industries, and small borrowers. The Government has constituted several committees from time to time to improve the credit delivery system of commercial banks towards SSIs. Accordingly, at present SSIs have been recognized as a priority sector by commercial banks and they lend liberally to SSI units.

Review of Literature

Kennedy Imafidon (2014) the main aim of this study is to analyze the involvement of commercial bank's loans to small scale enterprises on the growth of the Nigerian economy. The present study employed Gross marital product as a proxy for an economy which is the dependent variable and the commercial bank's loan to small scale enterprises as the independent variable for the period of study (1993- 2012). Co-integration and slip correction model approach was used to guesstimate the relationship between the variables. All the variables used were stationary at the first difference and the result showed a long term relationship existing among the variables. The main judgment of this study is that the commercial bank's loan to small scale enterprises does not disclose any significant effect on economic growth in Nigeria within the period of study. This is attributed to the fact that the small scale operators do not have access to credit which is a major problem to small scale enterprises in Nigeria since the customary financial institutions have not been clever to meet their credit needs. The government should encourage small scale enterprises through their micro-credit scheme, to give soft loans and re-introduce the small business credit schemes so that the beneficiaries can use them to run small scale enterprises.

Objective of the Study

➤ To analyze the extent of the financial assistance given by the State bank of India to the SSI units in Trichy district.

Research Methodology

The present study is based on the secondary data. The secondary data were collected from books, journals, Government Reports and Websites.

Findings of the Study**Table. No. 1****Average and Stability of Credit to the SSI Units by Public sector bank and State bank of India**

Particulars	Mean	SD	Co-efficient of Variation
Public sector	347836.46	256458.97	73.72
SBI	88533.23	59710.15	67.44

The average and stability of credit to the SSI units by the public sector banks and State bank of India are calculated and presented in Table. No.1. It could be observed from Table. No.1 Show that the average amount of lending to the SSI units by State bank of India was Rs. 347836.46 crores which were Rs. 88533.23 for public sector banks. The above Table also reveals that the co-efficient of variations is high (73.12%) in the case of public sector banks, but it was slightly low (67.44 %) in the State bank of India Banks.

Table. No.2**Trend and Growth rate of bank credit to Small Scale industries**

Particular	Trend Co-Efficient		R²	Compound Growth Rate
	A	B		
Public Sector	11.118	0.197	0.99	21.8
SBI	10.236	0.140	0.893	15.1

The trend and growth in lending by the public sector banks and State bank of India to the SSI units were calculated and are presented in Table. No. 2. The above Table. No. 2 shows that the trend coefficient of credit to SSI by the public sector banks and the State bank of India were statistically significant at 5% level. The Table also reveals that the rate of growth in lending to SSI was increasing at the rate of 19.7% and 14.0 % per annum, by public sector banks and the

State bank of India respectively. The compound growth rate was high in public sector banks comparing to State bank of India during the study period

Conclusion

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

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