

## C H A P T E R N O. I.

### INTRODUCTION AND METHODOLOGY.

- 1.1 I N T R O D U C T I O N:
- 1.2 Development Banking in India.
- 1.3 Objectives and Significance of the Study.
- 1.4 Research Methodology.
- 1.5 Presentation.

### 1.1 I N T R O D U C T I O N :

The small scale industry occupies a key position in the industrial structure of the country. The promotion of small scale industry springs mainly from the fact that it large employment potential and ensures diffusion of economic power and better distribution by national income. So essential to achieve the egalitarian objectives of establishing socialistic welfare state.

One of the major handicaps in developing the new small scale units is the shortage of finance. Finance is the life blood of industries. Without finance industry can not work. Finance is a powerful development tool which greases the productive channels of the industry and stimulates their smooth operation. It is regarded as a universal lubricant which keeps the enterprise dynamic, develops products, keeps men and machines at work, encourages management to make progress and creates values.

The availability of money and credit permits entrepreneurs to gain control of the real resources which enable them to engage in industry by producing and distributing industrial products. No business enterprise can reach it's full potential of growth and success without adequate finance.

The shortage of finance affects the ability of the units to install modern machinery and tools to maintain well organised and fully equipped factories, to buy and to store good quality raw materials or stock their finished products, to pack their goods under the attractive covers and to have a goods sales organisation of their own.

In brief every kind of problem whether of raw material, power, transport or marketing faced by an entrepreneur in it's ultimate analysis turns to be a problem of finance.

Shortage of finance is major impediment to the establishment and growth of small scale independent manufacturing enterprises all over the world.

The need of finance has assumed special importance in view of the transformation of small industry from conventional lines of manufacture using a few machines to a modern mechanised sector capable of producing quality consumer and produces goods and there by warrenting a higher order of investment.

Institutional financing has become popular in India. MSFC is one of the state financial institution in India which provides industrial finance to small scale and medium scale industries. The object of present study, therefore, is to examine the role played by MSFC in financing of small scale industries in Satara and make necessary suggestions for further progress.

## 1.2 DEVELOPMENT BANKING IN INDIA:

" The need of development banks in India felt very strongly immediately after attainment of independence to fill the gaps in capital market ". The capital market in India was ill equipped for providing the needs of long term industrial finance.<sup>1</sup>

Thus the need of specialised financial institution to meet the requirements of the finance was recognised as early as 1931. It was also realised that such financial institutions needed to be established both at national and state level. The first development bank is the Industrial Finance Corporation of India, established in 1948. The objective was to make long term credit available to the public limited companies and industrial co-operatives.

The establishment of financial institution at the state level was considered almost simultaneously and Govt. of India enacted the state financial corporation Act, 1951.

The Industrial Development Bank of India which is the apex development bank of the country came into existence in 1964, for the industrial finance through different institutions.

**DEFINITION AND OBJECTIVES OF THE  
DEVELOPMENT BANKS:**

Development bank can be defined as " An institution established principally or solely to provide long term financing for industry and undertaken development activities for industry "<sup>2</sup>.

In the light of above definition development banks have been designed to function as a development agency with special responsibility to :-

- a) Undertake market and investment research and survey of techno-economic studies in connection with development of industry.
- b) Provide technical and administrative assistance for promoting, management and expansion of industry and
- c) Plan, promote and development of industries to fill vital gaps in industrial structure.<sup>3</sup>

Thus the development bank functions to provide long term finance to industries as well as promoting the industrial development through the activities such as discovery of investment projects, preparation of project report, technical and managerial services to industries etc.

**STATE FINANCIAL CORPORATION AS A  
DEVELOPMENT BANK:**

In 1948 the establishment of industrial finance corporation of India, marked the beginning of institutionalisation process in country.<sup>4</sup>

In 1951 the state financial corporations as development bank started their working in different states of the country. Now along with state financial corporations, totally 60 development banks such as National Industrial Corporation of India, Industrial Credit and Investment Corporation of India, State Industrial Development Corporations, Small Scale Industrial Development Corporations etc. are working in the country. All these development banks are providing finance to industries, after refinance from Industrial development Bank of India. As important development bank, the state financial corporations are providing finance to small and medium scale industries in all states of the country. Finance up to Rs.10 lakhs is provided by State Financial Corporations to the industries is automatically made available as a refinance from Industrial Development Bank of India.

### 1.3 OBJECTIVES AND SIGNIFICANCE OF STUDY:

The present study is undertaken mainly with a view to study the financing of small scale industries by Maharashtra State Financial Corporation, Satara Branch, Satara and to study the performance of its various financing schemes during the period under study.

The study of this aspect is topical as well as interesting one. It is intended that the result of the study would provide guidelines to small scale industries entrepreneurs

for effective solution of their financial problems and would help the corporation to know the performance of the Satara Branch.

#### 1.4 RESEARCH METHODOLOGY:

##### SCOPE AND LIMITATIONS OF THE STUDY:

- a) The present study covers the working of Maharashtra State Financial Corporation Satara Branch, Satara. It includes the financing of small scale industries
  - i. Schemewise Break-up.
  - ii. Periodwise Break-up.
  - iii. Sizewise Break-up.
  - iv. Constitutionwise- Break-up.
- b) For the purpose of this study, the sample survey was conducted only in MIDC, Satara.
- c) For the purpose of retrospection of the history and development of MSFC, the period from 1981-82 to 1985-86 is considered. However, the sample survey of small scale industries of only last year is considered.
- d) The sample survey relates to 20 small scale engineering units financed by MSFC, Satara Branch, situated in MIDC, Satara only.

### SOURCES OF COLLECTION OF DATA:

The information and the data required for study are collected from various sources as follows:-

a) Satara District Credit plan (1984 to 1987) prepared by Bank of Maharashtra, Satara. Socio - Economic District Statistical Abstract, published by District Statistical Officer, Satara were used as the secondary sources of information regarding occupational pattern, population, infrastructure facilities and small scale industries in Satara district.

b) District Industry Centre, Satara, MIDC, Satara provided necessary information regarding number of registered small scale industries and industrial estates etc.

c) Questionnaire and personal discussion with the entrepreneurs of the small scale engineering units in MIDC, Satara and authorities of MSFC, Satara branch to collect the primary data of financing of small scale industries under the study.

d) SPOT OBSERVATIONS.

e) LIBRARY SOURCE:-



#### TOOLS AND TECHNIQUES OF DATA COLLECTION:

Necessary information for dissertation work was collected with the help of combination of direct approach, comprising of discussion and questionnaire methods and observation technique. Respondents were asked a series of questions through questionnaire, personal discussion with authorities of MSFC, Satara branch to judge a perfect idea of working of the branch of the corporation. The frank discussion with borrowers of the corporation but forward the difficulties of the borrowers in-respect of financial assistance from MSFC.

#### ANALYSIS AND INTERPRETATION OF DATA:

The data collected was rearranged systematically. The scrutiny, varification and analysis of the data were complected. Simple statistical methods were used while analysing the data. The screened and analysed data then was tabulated, viz schemewise break-up, periodwise break-up, sizewise break-up and constitutionwise break-up of financial assistance by Satara branch of the corporation. As a result of each table in this dissertation is followed by critical analysis and interpretation and the findings from it.

### 1.5 P R E S E N T A T I O N :

This study is presented in six chapters.

CHAPTER.I :- This chapter deals with introduction objectives and significance of the study, Methodology, Scope and Limitations of the study.

CHAPTER.II :- This chapter deals with the historical development of MSFC (1981-82 to 1985-86).

CHAPTER.III :- This chapter deals with the profile of the study area e.g. Satara District and Industrial Development of Satara.

CHAPTER.IV :- This chapter deals with the various financing schemes of the Corporation, Working Procedure of MSFC and financing of small scale industries by MSFC, Satara Branch, Satara.

CHAPTER.V :- This chapter deals with analysis and interpretation of data collected from primary sources. It also consists borrowers difficulties in finance from MSFC, Satara Branch , Satara.

CHAPTER.VI :- This chapter deals with findings and suggestions.



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