



An Overview of Small Scale Industries in India and Karnataka State

Parameshwara

Asst. Professor, Department of Commerce, Mangalore University, Mangalagangothri, Mangalore Karnataka-574199

Dr. A Raghurama

Professor, Department of Commerce, Mangalore University, Mangalagangothri, Mangalore Karnataka-574199

ABSTRACT

Small-scale industries have been playing a momentous role in overall economic development of a country where millions of people are unemployed or underemployed. The government encourages the small scale industries by providing financial support through scheduled commercial banks both public and the private. Banks play major role in extending support for SSIs. But there is a problem of NPA and recovery due to various internal and external factors. Should NPA recovery be done successfully, then borrowers shall have a higher incentive to repay, which means a lesser default risk, lower interest rates, and ultimately higher entrepreneurial activity, and economic growth. A solution to the problem of increasing NPAs is observable in the form of the right credit assessment and risk management mechanisms, ensuring that there is no adverse selection, and the quality of assets should not be compromised upon.

KEYWORDS: SSIs, NPA, Priority Sector, Performance

Introduction:

Small-scale industries have been playing a momentous role in overall economic development of a country where millions of people are unemployed or underemployed. Poverty and unemployment are two of the burning problems of the country today. This sector solves these two problems through providing immediate large-scale employment, with lower investments. According to Dr. Manmohan Singh, "the key to our success in employment lies in the success of manufacturing in the small scale sector". The economic development of any country primarily depends upon the establishment of industries, which require sufficient amount of capital. In a country like India, where capital is scarce and unemployment is wide spread, growth of

small-scale industries is vital in order to achieve balanced economic growth. The strength of small-scale enterprises lies in their wide spread dispersal in rural, semi-urban and urban areas, fostering entrepreneurial base, shorter gestation period, and equitable distribution of income and wealth. Having recognized the significance of SSI sector, the Govt. of India has set up various agencies and institutions at different levels-central, state and local, have been pursuing the policy of protection and promotion of this sector since independence and also offered several incentives and concessions for their promotion and development. This paper presents the data pertaining to micro small and medium scale industries in India and the Karnataka state, bank wise and different categories of priority sector wise composition of NPA

2. Fourth all India Censuses of MSMEs

Appendix Table No. 1 Fourth all India censuses of MSMEs: 2006-07

Sl. No	Parameters	All India (fig. In. Lakhs)			-Karnataka State (fig. In. Lakhs)		
		Regd	Un Regd	Total	Regd	Un Regd	Total
1	Total no. Of working enterprises :	10.35	64.18	74.53	1054477	485302	590779
	Manufacturing : Service :	05.18	181.30	186.48	34164	986712	1020876
	Total	15.53	245.48	261.01	139641	1472014	1611655
2	No. of Rural Enterprises	7.05	128.08	135.13	75131	775547	850678
3	No of Women enterprise	2.15	17.05	19.20	27423	237416	264839
4	No of enterprises managed by women	1.57	NA	1.57	21322	NA	21332
5	No of enterprises running perennially	14.83	235.22	250.05	13202	1347694	1360896
6	Employment :	79.85	224.22	304.07	726034	1583750	2309784
	Manufacturing :Service :	12.19	278.35	290.54	88754	1311689	1400443
	Total	92.04	502.57	294.61	814788	2895439	3710227
7	Employment :						
	Male :	73.40	412.75	486.15	594093	2200859	2794952
	Female :	18.64	89.82	108.46	220695	694580	915275
	Total	92.04	502.57	294.61	814788	2895439	3710227
8	Enterprise by social category :						
	SC	1.20	19.38	20.58	17001	59659	76660
	ST	0.47	7.82	8.29	5960	45150	51110
	OBC	6.01	98.96	104.97	65489	613851	679700
	Others	7.85	106.73	114.58	50831	630125	680956
	Societies	0	9.39	9.39	0	107116	107116
	Not responded	0	3.20	3.20	0	16113	16113
Total	15.53	245.48	261.01	139641	1472014	1611655	
9	Enterprise by Type of Organisation:						
	Proprietary	14.22	232.41	246.63	131897	1347690	1479587
	Partnership	0.63	1.15	1.78	3535	5304	8839
	Private company	0.3	1.07	1.37	2211	13552	15763
	Public Ltd company	0.07	0.66	0.73	564	4208	4772
	Cooperatives	0.05	1.29	1.34	491	13916	14407
	Others	0.26	8.90	9.16	943	87344	88287
Total	15.53	245.48	261.01	139641	1472014	1611655	
10	Enterprises by source of finance :						
	Self finance	13.63	228.51	242.14	119788	1235940	1355728
	Institutional sources	1.74	11.77	13.51	16848	179741	196589
	Non Institutional sources	0.16	5.20	5.36	3005	56333	59338
Total	15.53	245.48	261.01	139641	1472014	1611655	

Source: Kaigarika Varthe (2011), Directorate of Industries and Commerce, Government of Karnataka

The table reveals that the no of registered and unregistered MSME unit in India as well as in the Karnataka State. This data is based on Fourth all India censuses of MSMEs conducted by the government of India in the year 2006-07. According to the MSME survey there are 10.35 lakh manufacturing and 5.18 lakh service enterprises registered, 64.18 lakh manufacturing and 181.30 lakh service unregistered enterprises in India. In Karnataka state there are 1054477 manufacturing and 34164 service enterprises registered, 485302 manufacturing and 986712 service enterprises unregistered. Totally there are 261.01 lakh MSME units in India and 1611655 enterprises in Karnataka.

There are 7.05 lakh registered and 128.08 lakh unregistered rural enterprises in India and 75131 registered and 775547 unregistered rural enterprises in the Karnataka state. The number of women enterprises registered and unregistered are 2.15 lakh and 17.05 lakh respectively in India and in Karnataka there are 27423 registered and 237416 unregistered women enterprises. In India there are 1.57 lakh and in Karnataka 21332 enterprises which are managed by women. And there are 14.83 lakh registered and 235.22 unregistered enterprises and 13202 registered and 1347694 unregistered enterprises which are running perennially.

In India registered enterprises has created employment opportunity for 73.40 lakh men and 18.64 lakh women where as in the unregistered enterprises there are 412.75 lakh men and 89.82 lakh women employees. In Karnataka there are 594093 men and 220695 women employees in registered enterprises and 2200895 male and 694580 women employees in the unregistered enterprises.

There are 1.20 lakh registered units and 19.38 lakh unregistered units in India and in Karnataka 17001 registered units and 59659 unregistered units are managed by entrepreneurs from scheduled caste, 0.47 lakh registered units and 7.82 lakh unregistered units in India and 5960 registered and 45150 unregistered units by entrepreneurs from

scheduled tribe, 6.01 lakh registered units and 98.96 lakh unregistered units in India and 68489 registered units and 613851 unregistered units in Karnataka are managed by Other Backward community, 7.85 lakh registered units and 106.73 lakh unregistered units in India and 50831 registered and 630125 unregistered units in Karnataka are managed by other categories, 9.39 lakh unregistered units in India and 10 7116 unregistered units are managed by societies and there are 3.20 lakh unregistered units in India and 16113 unregistered units in Karnataka have not responded regarding the social category.

As for as the type of the organisation is concerned there are 14.22 lakh registered and 232.41 lakh unregistered proprietary organisations in India and in Karnataka there are 131897 registered and 1347690 unregistered units, 0.63 lakh registered and 1.15 lakh unregistered units in India and 3535 registered and 5304 unregistered units in Karnataka managed based on partnerships. 0.3 Lakh registered and 1.07 lakh unregistered in India and 2211 registered and 13552 unregistered units in Karnataka are having the status of a private company, 0.07 lakh registered units and 0.66 lakh unregistered units in India and 564 registered and 4208 unregistered units in Karnataka are working as public ltd companies, 0.05lakh registered and 1.29 lakh unregistered units in India and 491 registered and 13916 unregistered enterprises in Karnataka are managed by cooperative and 0.26 lakh registered and 8.90 lakh registered in India and 943 registered and 87344 unregistered units are belong to other categories.

The financial support for the enterprises are from own source or institutional sources or from non institutional sources. There are 13.63 lakh registered and 228.51 lakh unregistered enterprises in India and 119788 registered and 1235940 unregistered enterprises in Karnataka are managed by own sources of fund. There are 1.74 lakh registered and 11.77 lakh unregistered enterprise in India and 16848 registered and 179741 unregistered enterprises in Karnataka are working through the financial support of financial institutions and there are 0.16 lakh registered and 5.20lakh unregistered enterprise in India and 3005 registered and 56333 unregistered enterprises in Karnataka are managed through the support of non institutional sources.

3. Growth and Performance of Micro, Small and Medium Enterprises

Table No. 2

Growth and Performance of Micro, Small & Medium Enterprises (MSMEs)

Sl. No.	Year	Total Working MSMEs (Lakh numbers)	Employment (Lakh persons)	Fixed Investment (Rs. crore)	Production (Current Prices)	Exports
1	2001-02	105.21 (4.07)	249.33 (4.44)	154349 (5.11)	282270 (8.03)	71244 (2.07)
2	2002-03	109.49 (4.07)	260.21 (4.36)	162317 (5.16)	314850 (11.54)	86013 (20.73)
3	2003-04	113.95 (4.07)	271.42 (4.31)	170219 (4.87)	364547 (15.78)	97644 (13.52)
4	2004-05	118.59 (4.07)	282.57 (4.11)	178699 (4.98)	429796 (17.90)	124417 (27.42)
5	2005-06	123.42 (4.07)	294.91 (4.37)	188113 (5.27)	497842 (15.83)	150242 (20.76)
6	2006-07	261.12 (111.57)	595.66 (101.98)	500758 (166.20)	709398 (42.49)	182538 (21.50)
7	2007-08	272.79 (4.47)	626.34 (5.15)	558190 (11.47)	790759 (11.47)	202017 (10.67)
8	2008-09	285.16 (4.53)	659.35 (5.27)	621753 (11.39)	880805 (11.39)	N. A.
9*	2009-10	298.08 (4.53)	695.38 (5.46)	693835 (11.59)	982919 (11.59)	N. A.
10#	2010-11	311.52 (4.51)	732.17 (5.29)	773487 (11.48)	1095758 (11.48)	N. A.

Source: MSME annual report 2011-12

The figures in brackets show the percentage growth over the previous year. The data for the period up to 2005-06 is Small Scale Industries (SSI). Subsequent to 2005-06, data with reference to Micro, Small and Medium Enterprises are being compiled. The growth for the year 2010-11 is based on the average growth rate for the previous three years.

*: Provisional, #: Projected, N. A: Not Available.

The micro, small and medium enterprises (MSMEs) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts

for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to High-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide good opportunities for both self-employment and wage employment.

The table no. 2 explains the annual growth of working MSMEs, employment generated, investment, production and exports in India from 2001-02 to 2010-11. The data up to the year 2005-06 represents the SSIs and from the year 2006-07 the data related to MSMEs which in-

cludes manufacturing and service enterprises. It is clear from the above data that in the year 2001-02 there are 105.21 lakh units which created employment opportunities for 249.22 lakh persons with fixed investment of Rs 154349 crore. Total production was worth Rs282270 crore and contribution to the India exports to the extent of Rs 71244 crore. There is a steady growth up to the year 2005-06. After the passing of the MSMEs Act 2005-06, more number of micro small and medium enterprises was included in the Act. Hence there is increase in the number of enter-

prises, employment, investment, production and export contribution. In the year 2006-07, there was an increase to the extent of 11.57% (261.12 lakh enterprises) in MSMEs, employment generation by 101.98% (595.66 lakh persons), investment by 166.20% (Rs500758 crore), production by 42.49% (Rs709398 crore) and export by 21.50% (Rs182538 crore) from the previous year 2005-06. From the year 2006-07 again there is a constant growth in enterprises 4 to 4.5%, employment by 5 to 5.5%, investment by 11 to 11.5%, production by 11 to 11.5%.

4. NPA Position in Karnataka

TABLE No.3:

BANKWISE STATISTICAL DATA ON NPA POSITION IN KARNATAKA –MARCH 2011

Sl. No	Bank	(Amount Rs. In Crores)		NPA in Housing Loans		NPA in Education Loans		NPA in Agriculture Loans		NPA in Loans to MSE		NPA in Loans under Weaker Sections		NPA in overall Priority Sector Lending	
		Amount	% of NPA	Amount	% of NPA	Amount	% of NPA	Amount	% of NPA	Amount	% of NPA	Amount	% of NPA	Amount	% of NPA
	Groupwise Consolidation														
A	State Bank Group	237.26	3.45%	165.73	7.32%	510.56	5.34%	458.78	5.75%	442.26	5.01%	1374.45	4.99%		
B	Nationalised Banks	328.37	3.60%	273.49	3.88%	1271.06	4.07%	1432.91	4.88%	504.91	2.90%	3589.26	4.60%		
C	Other Public Sector Banks	2.86	0.47%	0.11	1.01%	2.11	0.11%	10.99	2.98%	0.05	0.01%	16.15	0.54%		
D	Private Sector Banks	59.60	3.57%	9.58	2.82%	133.96	1.13%	233.78	2.14%	23.22	0.43%	476.77	1.86%		
E	Regional Rural Banks	0.60	4.35%	0.37	1.62%	9.64	0.44%	6.84	1.04%	35.63	1.58%	41.37	1.32%		
	GRAND TOTAL	628.69	3.43%	449.28	4.64%	1927.33	3.39%	2143.30	4.35%	1006.07	2.93%	5498.00	4.00%		
	State Bank Group														
1	State Bank of India	212.64	3.60%	161.77	8.36%	497.78	5.70%	433.89	6.92%	439.25	5.29%	1306.08	5.52%		
2	State Bank of B & J	1.75	4.88%	0.19	0.86%	0.00		0.05	0.04%	0.00		1.99	1.06%		
3	State Bank of Hyderabad	1.78	1.44%	0.41	1.20%	0.22	0.16%	1.04	0.41%	0.19	1.04%	3.64	0.66%		
4	State Bank of Mysore	5.88	4.82%	1.86	2.26%	3.52	3.50%	3.89	1.04%	0.84	1.15%	15.15	2.23%		
5	State Bank of Patiala	2.11	3.79%	0.07	1.09%	0.22	1.47%	0.23	0.13%	0.11	6.63%	2.69	1.07%		
6	State Bank of Travancore	13.10	2.08%	1.43	0.77%	8.82	1.54%	19.68	2.55%	1.87	0.44%	44.90	2.05%		
	Sub total	237.26	3.45%	165.73	7.32%	510.56	5.34%	458.78	5.75%	442.26	5.01%	1374.45	4.99%		
	Nationalised Bank														
7	Allahabad Bank	0.94	1.62%	1.19	2.60%	0.82	0.18%	3.80	0.88%	0.92	3.32%	6.75	0.67%		
8	Andhra Bank	3.64	1.98%	7.88	8.62%	0.67	0.68%	3.95	0.95%	2.91	2.06%	19.05	2.38%		
9	Bank of Baroda	13.09	1.78%	16.21	7.41%	37.63	4.65%	72.54	4.96%	7.01	2.19%	139.47	4.30%		
10	Bank of India	40.11	8.70%	15.60	4.24%	106.88	9.43%	286.10	12.66%	0.00		448.69	10.19%		
11	Bank of Maharashtra	0.95	1.85%	0.67	4.39%	0.25	0.76%	33.87	15.06%	6.00	100.00%	35.74	11.03%		
12	Canara Bank	47.26	3.73%	24.17	1.96%	305.75	3.43%	235.24	4.06%	122.02	2.55%	612.42	3.55%		
13	Central Bank of India	22.61	3.74%	2.83	0.90%	27.36	2.48%	47.46	2.90%	6.54	0.40%	100.26	2.73%		
14	Corporation Bank	18.78	3.79%	13.03	6.47%	56.70	8.00%	20.79	1.01%	29.71	4.87%	126.18	3.59%		
15	Dena Bank	14.70	12.01%	2.44	9.37%	5.00	15.79%	10.80	3.45%	1.75	1.37%	33.95	5.71%		
16	Indian Bank	18.69	1.10%	103.26	4.93%	218.76	3.67%	76.88	2.03%	77.09	2.04%	494.68	3.55%		
17	Indian Overseas Bank	33.06	3.41%	33.64	2.43%	274.04	3.31%	264.03	6.15%	109.74	2.99%	604.77	3.97%		
18	Oriental Bank of Commerce	6.18	3.13%	5.01	9.12%	15.44	12.70%	33.59	5.35%	5.23	8.39%	60.90	6.07%		
19	Punjab National Bank	8.61	3.36%	5.85	3.63%	16.65	2.59%	82.33	6.05%	30.52	9.94%	121.52	5.01%		
20	Punjab & Sind Bank	0.00		0.01	0.26%	0.00		0.12	0.08%	0.00		0.13	0.08%		
21	Syndicate Bank	33.89	5.73%	11.38	3.93%	47.29	5.00%	87.16	7.26%	16.40	2.30%	232.02	7.57%		
22	UCO Bank	5.10	2.09%	1.29	0.75%	25.26	6.71%	15.21	1.26%	0.00		46.86	2.34%		
23	Union Bank of India	44.24	4.97%	22.23	7.35%	110.68	8.57%	67.27	5.91%	54.12	5.16%	364.71	10.00%		
24	United Bank of India	2.42	4.40%	0.91	4.38%	0.46	2.18%	15.38	11.41%	0.48	17.20%	19.42	8.38%		
25	Vijaya Bank	14.10	5.56%	5.89	9.48%	21.42	7.41%	76.39	8.83%	34.47	18.54%	121.74	8.28%		
	Sub total	328.37	3.60%	273.49	3.88%	1271.06	4.07%	1432.91	4.88%	504.91	2.90%	3589.26	4.60%		
	Other Public Sector Banks														
26	IDBI Bank Ltd.	2.86	0.47%	0.11	1.01%	2.11	0.11%	10.99	2.98%	0.05	0.01%	16.15	0.54%		
	Private Sector Banks														
27	Axis Bank Ltd.	11.65	30.83%	0.75	18.61%	58.91	3.61%	33.06	4.67%	0.25	0.03%	104.37	3.86%		
28	Catholic Syrian Bank Ltd.	1.65	5.64%	0.28	2.27%	0.72	0.36%	35.06	11.75%	0.97	0.51%	40.70	6.88%		
29	City Union Bank Ltd.	3.02	2.38%	0.59	1.02%	16.67	1.75%	7.07	0.51%	0.06	0.05%	37.25	1.47%		
30	Dhanalakshmi Bank Ltd.	0.71	1.39%	0.02	0.41%	0.27	0.16%	1.74	1.11%	0.02	0.45%	2.74	0.70%		
31	Federal Bank Ltd.	3.45	1.58%	0.34	3.51%	1.93	2.15%	8.51	1.76%	2.78	1.26%	17.38	2.17%		
32	HDFC Bank Ltd.	5.12	8.79%	0.09	0.29%	15.91	0.56%	36.71	1.41%	0.94	0.32%	58.25	1.03%		
33	ICICI Bank Ltd.														
34	Indus Bank Ltd.	0.89	1.80%	0.00		0.01	0.00%	1.16	0.21%	1.41	0.74%	3.47	0.41%		
35	ING Vysys Bank	0.07	58.33%			2.31	7.35%	2.89	1.24%			5.27	1.94%		
36	Jammu & Kashmir Bank Ltd.	0.05	1.22%	0.05	11.90%	0.00		1.54	3.54%	0.00		1.64	0.56%		
37	Karnataka Bank Ltd.	18.91	20.88%	0.26	1.74%	0.09	0.10%	1.85	0.61%	0.12	2.42%	21.11	4.25%		
38	Karur Vysya Bank Ltd.	2.48	0.84%	2.49	4.63%	6.17	0.36%	38.64	2.65%	4.00	0.43%	53.78	1.50%		
39	Kotak Mahindra Bank Ltd.														

40	Lakshmi Vilas Bank Ltd.	3.78	4.88%	0.91	1.79%	10.13	0.93%	33.92	4.88%	0.31	0.04%	57.77	2.97%
41	South Indian Bk Ltd.	5.35	3.76%	0.99	7.02%	7.78	0.61%	8.14	2.63%	0.27	0.02%	30.17	1.72%
42	Tamilnad Mercantile Bank Ltd.	2.47	0.51%	2.81	3.27%	13.06	0.86%	23.49	1.41%	12.09	1.38%	42.87	1.14%
	Sub total	59.60	3.57%	9.58	2.82%	133.96	1.13%	233.78	2.14%	23.22	0.43%	476.77	1.86%
	Regional Rural Banks												
43	Pandyan Grama Bank	0.16	1.61%	0.20	1.32%	0.90	0.05%	3.22	0.60%	23.46	1.42%	27.94	1.18%
44	Pallavan Grama Bank	0.44	11.46%	0.17	2.23%	8.74	1.71%	3.62	2.89%	12.17	2.02%	13.43	1.79%
	Sub total	0.60	4.35%	0.37	1.62%	9.64	0.44%	6.84	1.04%	35.63	1.58%	41.37	1.32%

Source: Department of Industries and Commerce, Government of Karnataka, www.karnatakaindustry.gov.in

The table no. 3 reveals that the data of bank wise NPA position of priority sector lending upto 31st March 2011 in the Karnataka state. The NPA in overall PSL is more in state bank group and nationalized banks which are 4.99% and 4.60% respectively. NPAs in Other public sector banks constitute only 0.54%, private sector banks 1.86% and regional rural banks 1.32%.

State bank group has NPA in housing loan of Rs237.26 crores (3.45%), NPA in education loans Rs165.73 crores (7.32%), NPA in Agriculture loans Rs 510.56 crores (5.34%), NPA in loans to MSE Rs458.78 crores (5.75%) and NPA in loans under weaker sections Rs 442.26 crores (5.01%). Nationalized banks NPAs constitute Rs328.37 crores (3.60%) form housing loans, Rs273.49 crores (3.88%) from education loans, Rs 1271.06 crores (4.07%) form agriculture loans, Rs1432.91 (4.88%) from MSEs and Rs504.91 crores (2.90%) from loans under weaker sections. Other public sector banks NPAs Rs2.86 crores (0.47%) in housing loan, Rs 0.11 crores (1.01%) in education loans, Rs10.99 crores (2.98%) in agriculture loans and Rs0.05 crores (0.01%) in loans under weaker section.

Private sector banks NPA position is Rs59.60 crores (3.57%) in housing loan, Rs9.58 crores (2.82%) in education loans, Rs 133.96 crores (1.13%) in agriculture loans, Rs 233.78 crores (2.14%) in loans to MSE and Rs23.22 crores (0.43%) in loans to weaker sections.

Regional rural banks NPA position constitutes Rs0.60 crores (4.35%) in housing loan, Rs0.37 crores (1.62%) in education loans, Rs 9.64 crores (0.44%) in agriculture loans, Rs 6.84 crores (1.04%) in loans to MSE and Rs35.63 crores (1.58%) in loans to weaker sections.

The overall NPA positions of all the banks on 31st march 2011 are Rs 628.69crores (3.43%) form housing loans, Rs 449.28 crores(4.64%) from education loans, Rs1927.33(3.39%) crores from agriculture loans, Rs2143.30 crores (4.35%) from MSE advances and Rs1006.07 crores(2.93%) from advances to weaker sections. NPA in overall priority sector lending of all the banks leads to Rs 5498 crores (4.00%).

Among the state bank group state bank of India is having highest percentage of NPAs, i.e. Rs212.64 crores (3.60%) from housing loans Rs161.77crores(8.36%) from educational loans, Rs 497.78(5.70%) form agriculture advances, Rs433.89crores (6.92%) from MSEs and Rs439.25 crores (5.29%) from lending to weaker sections. The overall NPA position of the bank is Rs 130.6.08 crores (5.52%).

Among the Nationalized banks Bank of Maharashtra is having highest percentage of NPAs, i.e. Rs0.95 crores (1.85%) from housing loans

Rs0.67crores (4.39%) from educational loans, Rs 0.25(0.76%) form agriculture advances, Rs33.87crores (15.06%) from MSEs and Rs6.00 crores (100%) from lending to weaker sections. The overall NPA position of the bank is Rs 35.74 crores (11.03%) followed by bank of India Rs448.69 crores (10.19%) and union bank of India Rs364.71 crores (10.00%). Among the nationalized banks the NPA position of the syndicate bank is Rs33.80 crores (5.73%) from housing loans Rs11.38crores (3.93%) from educational loans, Rs 47.29(5.00%) form agriculture advances, Rs87.16crores (7.26%) from MSEs and Rs16.40 crores (2.30%) from lending to weaker sections. The overall NPA position of the bank is Rs 232.02 crores (7.57%).

Among the private sector bank Catholic Syrian Bank Ltd .is having highest percentage of NPA which constitute Rs1.65 crores (5.64%) from housing loans Rs0.28crores (2.27%) from educational loans, Rs 0.72crores(0.36%) form agriculture advances, Rs35.06 crores (11.75%) from MSEs and Rs0.97 crores (2.51%) from lending to weaker sections. The overall NPA position of the bank is Rs 40.70 crores (6.88%) and it is followed by Karnataka banks Ltd which the NPA position is Rs18.91 crores (20.88%) from housing loans Rs0.26crores (1.74%) from educational loans, Rs 0.09crores (0.10%) form agriculture advances, Rs1.85 crores (0.61%) from MSEs and Rs0.12 crores (2.42%) from lending to weaker sections. The overall NPA position of the bank is Rs 21.11 crores (4.25%).

6. Conclusions

The government of India encourages the small scale industries by providing financial support through scheduled commercial banks both public and the private. The government tries to achieve more investment, more productivity and export promotion through the development of SSIs. Banks play major role in extending support for SSIs. But there is the problem of NPA and recovery due to various internal and external factors. It is obvious that the funds locked up over a period of time in the NPAs are not available for productive use. When banks write them off, it becomes a charge on their profit; it will lead to higher rate of interest on productive loans. Therefore an effective system of debt recovery is necessary for initiating insolvency proceedings when justified, and not initiating such proceedings if not warranted. Insolvency does not desire or encourage the writing off of debt. The approach of lessening judicial intervention is however no substitute for this. Should NPA recovery be done successfully, then borrowers shall have a higher incentive to repay, which means a lesser default risk, lower interest rates, and ultimately higher entrepreneurial activity, and economic growth. A solution to the problem of increasing NPAs is observable in the form of the right credit assessment and risk management mechanisms, ensuring that there is no adverse selection, and the quality of assets should not be compromised upon.

REFERENCES

1. Kaigarika Varthe (2011), Directorate of Industries and Commerce, Government of Karnataka | 2. MSME annual report 2011-12 | 3. Annual report Department of Industries and Commerce, Government of Karnataka www.karnatakaindustry.gov.in | 4. Rajan, R and Dhal,S.C (2003).Non performing loans and terms of credit of public sector banks in India: an empirical assessment, Occasional papers 24:3, pp 81-121, Reserve Bank of India. | 5. Kohli .R.C (2008) Practical approach to recovery management in banks and FIs and securitization Act, second addition.Taxmann'spublication. | 6. Joginder Singh and Omkar Singh Yadav (2010) "Impact of SARFAESI Act on banks" Professional Banker, January 2010, Pp 52-62