



ATTITUDE OF BORROWERS REGARDING THE LENDING SERVICES OF BHUTAN DEVELOPMENT FINANCIAL CORPORATION LIMITED

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Abstract

The present study tries to explore and review the attitude of borrowers and opinion of employees regarding the lending services and performance of BDFCL. A total of 300 borrowers were selected out of 22 branches under various schemes to measure the level of satisfaction with the help of Chi-square test and Factor Analytical Method. The study concluded that the majority of the borrowers (71.20%) have a medium level of satisfaction regarding the lending services of BDFCL. Locations of the plant, nature of the organization have influence on the level of satisfaction and age, while educations of the entrepreneurs do not influence the level of satisfaction. In factor analysis, 'The loan application of the bank is short and it elicits only the information required for the grant of loan', 'margin money fixed by the bank is too high and borrowers find it difficult to pay the margin money' are the variables influencing the attitude of the borrowers to the lending service of the BDFCL. The BDFCL officials should look into the real needs of the borrowers while processing the application for loans.

Introduction

Financial system implies a set of complex and closely connected institutions, agents, practices, markets, transactions, claims and liabilities in the economy. It can be classified into two categories namely banking and non-banking institutions. Banking had not penetrated into the rural and semi-urban areas and institutional credit was not available to agriculture, small industries, self-employed entrepreneurs, artisans and small traders. Therefore, banks are expected to play a more active and positive role in aiding sectors such as agriculture and small scale industries. The formal directives are necessary and given to the banks to channel the flow of credit to certain sectors of the economy in the larger interests of the country in order to reduce the regional imbalance. Non-banking institutions are also a playing major role and they constitute an integral part of financial system.

A development bank is a financial intermediary supplying medium and long term funds to bankable economic development projects and providing related services. It is defined as an institution either wholly or partially owned by government or by private interest primarily devoted to the stimulation and invigoration of the national capital market, to provide long term capital and to supply entrepreneurship including technical know-how and management to the private sectors¹. A development bank is intended to provide the necessary, managerial and technical know-how, where these are clearly inadequate or non-available and also assist in building up the financial and socio-economic infrastructure favorable to quick economic growth.

1. Bhutan's Financial System

The Royal Monetary Authority of Bhutan is the central bank of Bhutan which was established in 1982. It is an autonomous institute which regulates and controls the monetary system of Bhutan. The Ngultrum (Nu) is the currency of Bhutan. There are two major public sector commercial banks named Bank of Bhutan (BOB) and Bhutan National Bank (BNB) to cater to the needs of the people of Bhutan. Bank of Bhutan (BOB) was established by the government in 1968. Now it is a largest bank in the country with total assets of Nu.12 billion. The state bank of India has a 20 percent stake in this bank. There are twenty six branches across the country. Another commercial Bank is Bhutan National Bank (BNB) which was established in 1996.



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There are three Non- Bank Financial Institutions in the country [1] Royal Insurance Corporation of Bhutan(RICB) established in 1975 and a public owned company with the government holding of 39% stake. There are nine branches with total assets worth Nu. 1.5 billion. The RICB has two major divisions' namely general insurance and life insurance. [2] National Pension and Provident Fund (NPPF) and [3] One development bank in the kingdom of Bhutan which is known as Bhutan Development Finance Corporation Limited (BDFCL) established with the primary objective of promoting and encouraging micro, small and medium industries. Today the services rendered by the BDFCL are remarkable and extremely dynamic to meet the needs of agriculture, small and medium industrial sectors in the country.

2. An Overview of Bhutan Development Finance Corporation Limited (BDFCL)

The Bhutan Development Corporation (BDFCL) was formally established in January, 1988 as a development finance corporation for meeting the financial requirements of the private commercial sector as well as the needs of the rural communities. It was later registered under the Bhutan Companies Act on 27th December, 1990 and is now functioning as an autonomous corporation with distinct mandates, specific policies and separate set of its own service rules, regulations and established procedures².

The primary function of the Corporation is to promote and facilitate expansion of the economic and social advancement of Bhutanese people by making loans and in its discretion providing financial, technical, and advisory assistance to enterprises in the industrial, forestry and agricultural sectors of the economy of the country.

The Corporation conducts its operations within the general framework of the economic policies, plans and priorities of the Royal Government of Bhutan. It however, carries out its operations in accordance with sound banking and business practices and provides financial assistance only to those projects, which on the basis of its own analysis; appear to be economically justified, technically feasible and financially viable and profitable. To reduce the concentration of risk, the Corporation diversifies its portfolio by sectors of operation and between public (government owned) and private sector (individual) and by avoiding inappropriately large investments in one particular enterprise/project. It also pursues geographical diversification of its portfolio, wherever or whenever considered appropriate. General categories of loans eligible for BDFCL financing are Industrial Loans, Agricultural Loans, Guarantees, Loan products for rural farmers , Savings Product, Mobile Banking to their customers and non-customers.

3. Statement of the Problem

The banking sector has been playing a crucial role in a developing economy. A dynamic and vibrant banking sector has emerged as a sector of the masses rather than that of the classes. The balanced distribution of bank branches could ensure both quantitative and qualitative improvements in the economy at large. In order to optimize the benefits of the banks and serve the requirements of multi-structuralism; an egalitarian approach based on the area matrix has been well conceived and implemented throughout Bhutan. Consequently, the schemes were born and started bearing creditable fruits, particularly in rural dominated segments of the economy. The credit programmers lead all other agencies and organizations and co-ordinate their functions suitably well.

This study tries to explore and review the attitude of borrowers of BDFCL regarding the lending services and the performance level. The lending operations are given due emphasis. The impact of credit schemes on beneficiaries before and after utilizing the amount of credit in terms will be examined and evaluated in this research exercise. The parameters, perspectives and problems pertaining to repayment and recovery of loans will also be highlighted. The present study is carried out in the spirit of exploration of facts and hence it is expected to present original and creative types of knowledge in this area.

4. Review of Literature

An attempt is made to review some relevant studies relating to the performance of banks in credit lending for different schemes in this section. Such review would facilitate the researcher to have a comprehensive



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knowledge of the concepts used in the earlier studies and enable better understanding of the facts of the subject under study.

C. Thilaka(1996)³ in her study “A Study of Financing of Select Small Scale Industries by Commercial Banks in Tamilnadu” states that one of the important problems of small scale industries was bank finance. Restriction on term loan facilities to small scale industries acted as a stumbling block in the promotion of SSI units. She states that commercial banks provide only 75 per cent of the financial needs of small scale industrial units. Further the borrowers complained that they had to visit the bank more than ten times to get their loans.

D.G. Rudra Murthy (2001)⁴ in an unpublished thesis on institutional finance for the development of SSI in Karnataka State finds that the availability of institutional finance has not met the demand from the SSI sector. The educational background of the owners had little impact on the running of the units. Proprietary and partnership firms were found to be more prompt and regular in the repayment of loans than limited companies. The study suggests the setting up of an SSI mutual fund, more specialized SSI branches and modification of the Narasimham Committee report to suit the SSI sector.

A. Subbiah(1990)⁵in his study “Financing of small scale Industries by State Bank of India: A Study with Special Reference to Sattur Branch” stated that there were delays in the sanctioning of loan and subsidy to small-scale units. The State Bank of India could not achieve its target of disbursement of loans to small scale units due to non-materialization of some new proposals. Match factories were not fully utilizing the cash credit limit sanctioned to them.

Hrishikesh Bhattacharya(1984)⁶conducted a study on the problems faced by the small-scale entrepreneurs located in Howrah and Calcutta of West Bengal. All the units were bank-assisted units. The study found that the need for proportionate increase in capital was inversely related to the size of the small firms. In other words, the smaller the firm, the larger the proportionate increase in finance required to enable it to effectively respond to the demand of its product. It was also observed that the smaller the firm, the less as its chance to command finance from banks because it does not have any track record of past years’ performance. The bank managers felt shaky in sanctioning the required amount of the loan because they were unable to judge the capability of prospective borrowers on the basis of projections only.

J.N. Mishra(1968)⁷in his study in Saugar District found that industrialists preferred a bania, a private money lender, a co-operative bank for meeting their financial needs in order to avoid the complicated formalities, cumbersome procedures and undue delay in getting loans from banks.

Chitranjan(1986)⁸ was of the view that creditworthiness could also be improved by increasing the application of production techniques which resulted in saving land and using more labour as the small and the marginal farmers had abundance of labour and scarcity of land resources. Creditworthiness could also be improved by evolving a production pattern which was market oriented and biased against self-consumption. An obvious implication of such an approach would be to encourage the small farmers and the marginal farmers to switch over to the cultivation of more and more of the cash crops.

R. Ganapathi(2003)⁹ concluded that modern agriculture is capital intensive and it centers on the application of high yielding seeds and inputs. But the majority of the farmers are unable to make use of modern input and technology due to paucity of funds. In this context, credit becomes inevitable for agricultural developments.

Joshi(1985)¹⁰ concluded that a single financial institution with family substantial resources meeting different needs of the agriculturists has its attraction instead of the presently accepted multi-agency approach. The results reveal that loans borrowed from the State Bank of India by the active farmers for crop production purposes were not very helpful in increasing the productivity of land vis-a-vis non participation farmers.

Deolalkar(1998)¹¹, in his study titled, “The Indian Banking Sector on Road to Progress” observed that NPAs in Public Sector Banks were recorded at about `457 billion in 1998. About 70% of gross NPAs were locked up in



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“Hard Core” doubtful and loss assets, accumulated over years, pending either in courts or with Board for Industrial and Financial Reconstruction (BIFR). He further added that the main cause of NPAs in the banking sector was the directed loans systems, under which the commercial banks were required to supply a prescribed percentage of their credit (40%) to the Priority Sector. Such loans supplied to the micro sector were problematic to recovery, especially when some of the units become sick or weak. These loans had led the borrowers to expect that like a non-refundable state subsidy, bank loans need not be repaid.

Verma and Reddy (2000)¹², conducted a study analyzing the causes overdue in Cooperatives under SWOOD, to assess recovery and NPAs position in these banks. Policy distortions in liberalized economy and inefficient management were identified as main reasons for poor recovery. Mis-utilisation of credit, political interference at every level, successive crop failures, non-remunerative prices of agriculture produce, inadequate income and natural calamities, were some other factors, which affect the working culture of co-operative banks considerably. To improve the working of these banks, the study suggested that available credit size should be need based and production-oriented. Effective supervision of loans to minimize misutilisation and close social relations with loanee members were two other suggestions to improve the profitability and productivity of these banks.

Das (2001)¹³ in his study titled, “A Study on the Repayment Behavior of Sample Borrowers of Arunachal Pradesh State Co-operative Apex Bank Limited”, examined the repayment behaviour of loanees, covering a period of 1994-95 to 1998-99. On the basis of primary data collected, researchers concluded that the incidence of default was highest among borrowers for agriculture allied activities loans. Agriculture loanees, horticulture loanees, small business loanees and service sector loanees were ranked 2nd, 3rd, 4th and 5th in a descending order on the basis of percentage defaulters. Study further revealed that the number of defaulter loanees was highest in government sponsored schemes.

R.K.P. Singh and K.M. Upadhyaya (1984)¹⁴ studied the recoveries in the Regional Rural Banks operating in Bihar and reported that loan recoveries in RRBs declined continuously during the period 1978-1980. The reason for declining or low loan recoveries were: inadequate arrangement for recovery in bank branches and the shortage of funds with the borrowers to repay the loan either due to crop failure or on due expenditure on festivals and ceremonies or other social functions or of illness of family members. Inadequate follow up by banks for repayment and willful default were also important reasons for declining loan recoveries in RRBS.

5. Objectives of the Study

The BDFCLan attempt has been made here to analyse the attitude of the borrowers towards the lending services and to ascertain the factors which may influence their level of satisfaction. For this, information was gathered from the 300 borrowers who have benefited from the BDFCL on the basis of such information the following objectives has been made under the heads:

- Identifying the factors determining the attitude of the borrowers by Factor Analytical method,
- The level of satisfaction of the borrowers and the factors influencing the level of satisfaction and
- To offer suggestions on the basis of the findings of the study.

6. Period of the Study

In order to study the implementation of credit schemes from growth and equity angles in BDFCL, the data relating to performance indication for ten years from 1998 to 2007 were taken up for the study. The field survey was conducted from September 2006 to March 2007 for the collection of primary data. The reference period of the survey is 2006-07.

7. Limitations of the Study

The study suffers from certain constraints. It confined only to BDFCL lending schemes and performance. The study pertains to the period of ten years from 1997 to 2007. A few households were not able to provide correct data. Some data suffer from recall bias. This is a pioneer study.



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8. Methodology

Designing suitable methodology and selection of analytical tools is important for a meaningful analysis of any research problems. This section is devoted to the statement of the methodology, which includes collection of data, sampling procedure, method of analysis and tools of analysis.

Collection of Data

Both primary and secondary data have been used for the present study. A reconnaissance survey was made among the selected beneficiaries to get acquainted with the loan amount received, utilized and repaid. On the basis of the information gathered, a well-designed pre-tested interview schedule was drafted and used in the field survey to collect the primary data. Before undertaking the main survey, a tentative interview schedule was prepared and administered to 25 beneficiaries in order to test the validity of the interview schedule. It facilitated the removal of the non-response and unwanted questions and the modified final schedule based on this was prepared.

The selected beneficiaries were contacted in person and the objectives of the study were clearly explained to them and their co-operation was ensured. The details regarding the general characteristics of the sample beneficiaries, their families, income, expenditure and savings relating to the overall objectives of the study were collected from the sample beneficiaries through the direct personal interview method.

Secondary sources of data relating to the willingness to avail oneself of loans, number of loans sanctioned, loan amounts were collected from the published and unpublished reports and records of the BDFCL

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Sampling Procedure

BDFCLimited has 22 branches in all twenty districts in Bhutan. For the purpose of collecting primary data from the beneficiaries and recovery performance, all the 22 branches were included in the present study. Out of 22 branches, a total of 300 borrowers under various schemes were selected at random for the study. Keeping in view the objectives of the study, 300 sample beneficiaries were stratified into two categories namely, those who have engaged in non-industrial activities and others engaging in industrial activities. Out of 300 sample beneficiaries, 182 (66.67 per cent) beneficiaries were coming under non-industrial group and the remaining 118 (39.33 per cent) fell under the industrial group.

Tools of Analysis: Analytical Framework for Factor Analysis

In factor analysis each variable is expressed as a linear combination of underlying factors. The amount of variance a variable shares with all other variables included in the analysis is referred to communality. The co-variation among the variables is described in terms of a small number of common factors plus a unique factor for each variable. These factors are not over observed.

If the variables are standardized, the factor model may be represented as:

$$X_i = A_{i1} F_1 + A_{i2} F_2 + A_{i3} F_3 + \dots + A_{im} F_m + V_i U_i$$

Where,

- X_i = i^{th} standardized variable,
- A_{ij} = Standardized multiple regression coefficient of variable on common factor j
- F = Common factor,
- V_i = Standardized regression coefficient of variable i on Unique factor
- U_i = The unique factor for variable i and
- m = Number of common factors



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The unique factors are uncorrelated with each other and with the common factors. The common factors themselves can be expressed as linear combinations of the observed variables.

$$F_i = W_{i1} X_1 + W_{i2} X_2 + W_{i3} X_3 + \dots + W_{ik} X_k$$

Where,

- F_i = Estimate of i^{th} factor
 W_i = Weight or factor score coefficient
 K = Number of variables.

It is possible to select weights or factor score coefficients so that the first factor explains the largest portion of the total variance. Then a second set of weight can be selected, so that is the second factor, which accounts for most of the residual variance subject to being uncorrelated with the first factor. The same principle could be applied to selecting additional weights for the additional factors. Thus, the factors can be estimated so that their factor scores, unlike the value of the original variables, are not correlated. Furthermore, the first factor accounts for the highest variance in the data, the second factor the second highest, and so on.

To understand whether factors like age and education of borrowers and factors relating to the enterprise, such as the nature of organization, the type of industry, the years of existence of the industry, the area of plant location and location status of the plant, influence the levels of satisfaction of the performance of BDFCL. For this, the Chi-square test has been employed. It is calculated by adopting the following formula.

$(O - E)^2$

$$\text{Chi-Square } (\chi^2) = \sum \frac{\text{-----}}{E} \text{ where } (r-1)(c-1) \text{ degrees of freedom.}$$

Where,

- O = Observed frequency
 E = Expected frequency
 $E = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$
 c = Number of columns,
 r = Number of rows.

The Chi-square is calculated and compared with the table value to determine the relationship between the factors and the levels of satisfaction.

Analysis And Discussion

Identifying the Attitude Factors of the Borrowers

In this section an attempt has been made to condense the attitudes of the borrowers into a few factors by using the Factor Analytical Method.

1. The Analytical Framework

Factor Analysis was used to condense and analyse the attitude of the borrowers to the lending services of the BDFCL. The principal factor with the Orthogonal Varimax Rotation is used mostly and widely available in factor analytical computer programmes. One of the final results of a factor analysis is called the Rotated Factor Matrix, a table of coefficients that express the ratios between the attitude variables and the underlying factors. The attitude variables with factor loadings of 0.50 or greater have been considered significant variables

2. Results and Discussion

Table 1.1 gives the loadings received by the factors F1, F2, F3, F4 and F5 for the attitude variables of the borrowers towards the lending services of the BDFCL.



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Table 1.1 Rotated Factor Matrix For Attitude Of Borrowers Towards The Lending Service Of Bdfcl

Sl. No	Attitude / Variables	Factor Loadings					h ²
		F ₁	F ₂	F ₃	F ₄	F ₅	
1.	Loan application is short and elicits only information required for grant of loan	0.7962	0.0231	0.0673	0.1031	0.1412	0.67
2.	Recommendations to get loan on time	0.6175	0.3742	0.1142	0.0763	0.1121	0.55
3.	Corporation takes more time than required in processing loan application	0.5672	0.3471	0.0742	0.1472	0.2671	0.54
4.	Loan application is lengthy	0.5171	0.3512	0.2012	0.2167	0.3321	0.59
5.	Financial help from non-banking financial institution because of delay in sanctioning loans by banks	0.5071	0.4712	0.2041	0.0712	0.3141	0.62
6.	Margin money fixed is too high and borrowers find difficult to pay margin money	0.2142	0.6971	0.0792	0.1012	0.2143	0.59
7.	Forced to get financial assistance from non-banking financial institutions because of insistence on security by Corporation	0.1421	0.6236	0.0672	0.3341	0.2312	0.58
8.	Debt-equity ratio fixed by the Corporation for getting loan in reasonable	0.3147	0.5731	0.2341	0.1471	0.4071	0.67
9.	High rate of interest charged by Corporation affects profitability of the borrowers	0.1942	0.5462	0.1210	0.4741	0.3011	0.67
10.	Inspection and service charges are reasonable	0.0762	0.5341	0.2314	0.3141	0.3471	0.56
11.	Borrowers find difficult to pay interest regularly because of high rate of interest	0.3047	0.5071	0.4132	0.2612	0.3071	0.68
12.	Repayment schedules fixed are always unrealistic	0.1022	0.3171	0.6271	0.2711	0.1401	0.60
13.	Those who repay their loans regularly are given preferential treatment by the Corporation in granting further loans	0.0781	0.2072	0.6063	0.2147	0.3431	0.58
14.	Repayment schedule modified for sick units by the Corporation is realistic	0.2472	0.4431	0.5671	0.3011	0.1471	0.69
15.	Corporation are soft in recovery of loan from the Borrowers	0.4112	0.3471	0.5221	0.2916	0.2111	0.69
16.	Corporation do not follow up and check financial planning of the borrowers	0.3743	0.1742	0.5063	0.2241	0.3432	0.59
17.	Corporation officials never visit and inspect as part of their follow-up procedure	0.3572	0.3141	0.5012	0.2612	0.3361	0.66
18.	Amount sanctioned by the Corporation is always less than required amount, thereby causing financial problems	0.3471	0.2147	0.1132	0.6471	0.0471	0.60
19.	Working capital loans sanctioned by the Corporation are not adequate	0.2943	0.2431	0.1072	0.5947	0.1678	0.54
20.	Norms followed by the Corporation in assessing working capital requirements are satisfactory	0.1971	0.2712	0.3014	0.5471	0.4131	0.67
21.	Investment limit of Nu.one crore in plant and machinery for a borrower affects share	0.2012	0.1971	0.2672	0.0671	0.6971	0.64



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	of financial assistance from financial institutions						
22.	Government should allot more funds in budget for financing the entrepreneurs	0.1241	0.2161	0.0671	0.1748	0.6462	0.51
23.	Financial institutions must consider role of borrowers in scenarios of globalisation at the time of granting loan	0.2471	0.3171	0.0863	0.0991	0.6236	0.57
24.	Subsidy and concessions provided by Government are satisfactory	0.2141	0.3061	0.1711	0.0631	0.6031	0.54
25.	Government's policy in providing institutional finance promotes development of entrepreneurs	0.2914	0.3141	0.0672	0.1141	0.5932	0.55
26.	Seed capital scheme is really a boon to entrepreneurs and it encourages many to start enterprises	0.1314	0.0674	0.3672	0.4011	0.5671	0.64
27.	Capital investment subsidy is not a real motivator to start enterprises in backward areas	0.0721	0.1062	0.3412	0.4132	0.5531	0.61
28.	Borrowers suffer from paucity of funds due to lack of Government's assistance in marketing their products	0.0671	0.1042	0.3471	0.3231	0.5341	0.53
29.	Delay of issue of provisional registration certificate causes delay in getting financial assistance from Corporation	0.2714	0.1014	0.2936	0.3241	0.5221	0.55
30.	Borrowers are not treated on par with agricultural sector, though non-agricultural sector is one among priority sectors	0.3248	0.4141	0.1041	0.2471	0.5013	0.60
	Percentage Variance explained	3.38	4.01	3.07	2.78	4.96	

Source: Computed data.

Note: The Principal Factors Method with Orthogonal Varimax Rotation is used to extract factor.

It is seen from Table 1.1 that the number of factors extracted was five. The ratios which have the highest and significant loading in each factor are grouped. That is, the ratios which are most closely related to a particular factor are grouped. The last column in Table 5.1 is communality (h^2), which is obtained by the sum of the squares of the factor loadings of each ratio. Subsequently, the results are interpreted by carefully examining the significant loadings for ratios clustering around each factor.



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Factor I (F₁)

‘The loan application’ (0.7962), ‘the recommendation to get loan on time’ (0.6175), ‘Corporation takes more time than required in processing the loan applications’ (0.5672), ‘the loan application is lengthy’ (0.5171) and ‘delay in sanctioning loans’ (0.5071) are the variables with high loadings on Factor I. As the above variables relate to the loan application and procedure for sanctioning, Factor I is characterized as “Application and Sanction”.

Factor II (F₂)

In the second factor, ‘margin money fixed is too high’ (0.6971), ‘insistence on security’ (0.6236), ‘the debt-equity ratio fixed for getting loan is reasonable’ (0.5731), ‘high rate of interest charged affects the profitability of borrowers’ (0.5462), ‘the inspection and service charges are high’ (0.5341) and ‘high rate of interest affects the ability to pay interest regularly’ (0.5071) have the highest significant positive loadings. As the above variables relate to security, margin, interest and charges, Factor II is termed as “Security, Margin, Interest and Charges”.

Factor III (F₃)

‘The repayment schedule fixed are always unrealistic’ (0.6271), ‘those who repay their loans regularly are given preferential treatment by the Corporation’ (0.6063), ‘the repayment schedule modified for sick units is realistic’ (0.5671), ‘the Corporation is soft in the recovery of loans the borrowers’ (0.5221), ‘the financial institutions do not follow up’ (0.5063) and ‘Corporation officials never visit and inspect the borrowers’ (0.5012) are the variables with the highest loadings on Factor III. All the above variables are related to repayment, follow-up and recovery of Factor III is named “Repayment, Follow-up and Recovery”.

Factor IV (F₄)

In the fourth factor, ‘the amount sanctioned is always less than the required amount’ (0.6471), ‘working capital loans sanctioned are not adequate’ (0.5947) and ‘the norms followed in assessing the working capital requirements are satisfactory’ (0.5471) have the highest factor loadings. As these variables relate to the adequacy of the amount sanctioned, Factor IV is characterized as “Adequacy of Amount Sanctioned”.

Factor V (F₅)

In the fifth Factor (F₅), ‘the investment limit of Nu.1 Crore in plant and machinery for a borrower affects the share of financial assistance from financial institutions’ (0.6971), ‘the Government should allot more funds’ (0.6462), ‘financial institutions must consider the role of the borrower in the scenario of globalization at the time of granting loan’ (0.6236), ‘the subsidy and concessions provided by the Government are satisfactory’ (0.6031), ‘the Government’s policy in providing institutional finance promotes the development of enterprises’ (0.5932), ‘the seed capital scheme is really a boon to entrepreneurs and it encourages many to start enterprise’ (0.5671), ‘the capital investment subsidy is not a real motivator’ (0.5531), ‘borrower suffer from paucity of funds due to lack of Government’s assistance in marketing’ (0.5341), ‘the delay in the issue of the provisional registration certificate causes delay in getting financial assistance from financial institutions’ (0.5221) and ‘borrowers are not treated on par with the agricultural sector’ (0.5013) have the highest loadings. As the above variables relate to Government policies and its assistance, Factor V is named “Government Policy and Its Financial Assistance”. Hence, ‘the loan application of the bank is short’ and ‘it elicits only the information required for the grant of loan’, ‘margin money fixed by the bank is too high’ and ‘borrowers find it difficult to pay the margin money’, ‘the repayment schedules fixed by the bank are always unrealistic’, ‘the amount sanctioned by the bank is always less than the required amount, thereby causing financial problems’ and ‘the investment limit of Nu. OneCrore in plants and machinery for a borrower affects the share of financial assistance from the financial institutions’ are the variables influencing the attitude of the borrowers to the lending services of the Bhutan Development Finance Corporation Limited.

3. Level of Satisfaction

In this section, an attempt has been made to analyse the levels of satisfaction of the borrowers with regard to the lending services of the BDFCL. Satisfaction cannot be measured in absolute terms. It depends on the relation



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between what one expects to have and what one is provided with. In the present study, the satisfaction of the borrowers, 300 samples have been measured with the help of 30 statements by adopting the Likert Scale.

The satisfaction of the borrowers has been classified into three categories namely, low level, medium level and high level for analytical purposes. For the 300 borrowers, the total score value for each respondent is calculated. The arithmetic mean (\bar{X}) and the standard deviation (σ) were calculated for the 300 observations of score values of the borrowers.

The calculated arithmetic mean (\bar{X}) was 98.16 and the standard deviation (σ) was 18.11. The score values greater than or equal to ($\bar{X} + \sigma$) and the score value less than or equal to ($\bar{X} - \sigma$) have been classified as high level satisfaction and low level satisfaction respectively. The score values in between ($\bar{X} + \sigma$) and ($\bar{X} - \sigma$) have been classified as medium level satisfaction.

($\bar{X} + \sigma$) = (98.16 + 18.11) = 116.27 = 117 and above are treated as high level satisfaction.

($\bar{X} - \sigma$) = (98.16 - 18.11) = 80.05 = 80 and below are treated as low level satisfaction.

($\bar{X} - \sigma$) to ($\bar{X} + \sigma$) = Scores between 80 and 117 are treated as medium level satisfaction.

Table 1.2 shows the classification of the respondents according to their levels of satisfaction.

Table 1.2 Level Of Satisfaction And The Number Of Respondents

Sl. No.	Level of Satisfaction	Number of Units	Percentage
1.	High	42	14.00
2.	Medium	208	69.33
3.	Low	50	16.67
	Total	300	100.00

Source: Computed data.

From Table 1.2, it is observed that a majority of 208 (69.33 per cent) of the borrowers have a medium level of satisfaction regarding the lending services of the Bhutan Development Finance Corporation Limited. 50 (16.67 per cent) of the units have a low level of satisfaction, 42 (14.00 per cent) have a high level of satisfaction.

4. Factors Influencing Level of Satisfaction

An attempt has been made in this chapter to understand whether factors like age and education of entrepreneurs and factors relating to the enterprise, such as the nature of organization, the type of industry, the years of existence of the industry and the area of plant location influence the levels of satisfaction of the borrowers. Further an attempt has been made to test the relationship between the factors such as the type of industry and the nature of the organisation under the different dimensions and the levels of satisfaction. For this, the Chi-square test has been employed. It is calculated by adopting the following formula.

$$(O - E)^2$$

$$\text{Chi-Square } (\chi^2) = \sum \frac{\text{-----}}{E} \quad \text{where } (r-1) (c-1) \text{ degrees of freedom.}$$

Where,

- O = Observed frequency
- E = $\frac{\text{Expected frequency}}{\text{Row Total} \times \text{Column Total}}$
- E = $\frac{\text{-----}}{\text{Grand Total}}$
- c = Number of columns,
- r = Number of rows.

The Chi-square is calculated and compared with the table value to determine the relationship between the factors and the levels of satisfaction.



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Age and Level of Satisfaction

The level of satisfaction of different age levels of borrowers is shown in Table 1.3.

Table 1.3 Age And Level Of Satisfaction

Sl. No.	Age (in Years)	Level of Satisfaction			Total
		High	Medium	Low	
1.	Below 30 years	12(28.60)	47(22.60)	10(20.00)	69(23.00)
2.	30 – 40	11(26.20)	56(26.90)	14(28.00)	81(27.00)
3.	40 – 50	14(33.30)	64(30.80)	17(34.00)	95(31.70)
4.	50 and above	5(11.90)	41(19.70)	9(18.00)	55(18.30)
	Total	42(100.00)	208(100.00)	50(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.3, it is observed that out of the 42 borrowers with high level satisfaction, 12 (28.60 per cent) fall in the age group below 30 years, 11 (26.20 per cent) between 30–40 years, 14 (33.30 per cent) between 40–50 years and 5 (11.90 per cent) above 50 years. Further it shows that out of the 208 borrowers with medium level satisfaction, 47 (22.60 per cent) in the age group below 30 years, 56 (26.90 per cent) between 30–40 years, 64 (30.80 per cent) between 40–50 years and 41 (19.70 per cent) above 50 years. It also shows that out of the 50 borrowers with low level satisfaction, 10 (20.00 per cent) fall in the age group of below 30 years, 14 (28.00 per cent) between 30–40 years, 17 (34.00 per cent) between 40–50 years and 9 (18.00 per cent) above 50 years.

To test the null hypothesis that the age is independent of the level of satisfaction, the Chi-square test has been applied and the calculated Value is 2.1474, table value at 5 per cent level (T.V.) 12.592 in degrees of freedom is 6. As the calculated Chi-square value is less than the table value, the null hypothesis is accepted. Thus it may be concluded that the level of satisfaction of the borrowers with the lending services of the BDFCL is independent of their age.

Education and Level of Satisfaction

The level of satisfaction of the borrowers and their education are shown in Table 1.4.

Table 1.4 Education And Level Of Satisfaction

Sl. No.	Education	Level of Satisfaction			Total
		High	Medium	Low	
1.	High School level	12(28.60)	59(28.30)	9(18.00)	80(26.70)
2.	Higher Secondary	20(47.60)	96(46.20)	30(40.00)	146(48.70)
3.	College / Technical Education	10(23.80)	53(25.50)	11(22.00)	74(24.60)
	Total	42(100.00)	208(100.00)	50(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.4, it is seen that out of the 42 respondents with a high level of satisfaction, 12 (28.60 per cent) have high school level education, 20 (47.60 per cent) have higher secondary level of education and 10 (23.80 per cent) have college/ technical level education. Out of the 208 respondents with a medium level of satisfaction, 59 (28.30 per cent) have high school level education, 96 (46.20 per cent) have higher secondary level education and 53 (25.50 per cent) have college/technical level education. Further it shows that out of the 50 respondents, 9 (18.00 per cent) have high school level of education, 30 (60.00 per cent) have higher secondary level of education and 11 (22.00 per cent) have college/technical level of education respectively.

To test the null hypothesis that education is independent of the level of satisfaction, the Chi-square test has been applied and the calculated Value (C.V.) 3.50207, table Value at 5 per cent level (T.V.) 9.488 in degrees of freedom is 4.



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As the calculated Chi-square value is less than the table value at 5 per cent level of significance with 4 degrees of freedom, the null hypothesis is accepted. It may be concluded that the educational levels of the borrowers does not influence their levels of satisfaction with the lending services of the BDFCL.

Nature of Organisation and Level of Satisfaction

Table 1.5 presents the levels of satisfaction of different types of organization.

Table 1.5 Nature Of Organisation Of The Borrowers And Level Of Satisfaction

Sl. No.	Nature of Organisation	Level of Satisfaction			Total
		High	Medium	Low	
1.	Sole Proprietorship	11(26.20)	76(36.50)	8(16.00)	95(31.70)
2.	Partnership	23(54.80)	99(47.60)	34(68.00)	156(52.00)
3.	Private Limited Company	8(19.00)	33(15.90)	8(16.00)	49(16.30)
	Total	42(100.00)	208(100.00)	40(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.5, it is clear that out of the 42 borrowers with a high level satisfaction, 11 (26.20 per cent) have sole proprietorship type of organization, 23 (54.80 per cent) have partnership type of organizations and 8 (19.00 per cent) private limited companies. Further it shows that out of the 208 borrowers with medium level satisfaction, 76 (36.50 per cent) have sole proprietorship type of organization, 99 (47.60 per cent) have partnership type and 33 (15.90 per cent) private limited companies. Out of the 50 borrowers with low level of satisfaction, 8 (16.00 per cent) have sole proprietorship and private limited company type of organization and 34 (68.00 per cent) have partnership type of organizations respectively.

To test the null hypothesis that there is no relationship between the nature of the organization and the level of satisfaction the Chi-square test has been applied and the calculated Value (C.V.)9.523, table Value at 5 per cent level (T.V.)9.488 in degrees of freedom is 4.

As the calculated Chi-square is greater than the table value, the null hypothesis is rejected. Thus it may be concluded that the level of satisfaction of the borrowers with the lending services of the BDFCL is influenced by the nature of organization.

Type of Industry and Level of Satisfaction

Industry-wise levels of satisfaction of the borrowers are shown in Table 1.6.

Table 1.6 Type Of Industry And Level Of Satisfaction

Sl. No.	Type of Industry	Level of Satisfaction			Total
		High	Medium	Low	
1.	Food Products	10(23.80)	59(28.40)	12(24.00)	81(27.00)
2.	Cottage and Handicrafts	8(19.00)	36(17.30)	7(14.00)	51(17.00)
3.	Tourism	6(14.30)	16(7.70)	5(10.00)	27(9.00)
4.	Construction	7(16.70)	28(13.50)	10(20.00)	45(15.00)
5.	Trade and Commerce	7(16.70)	29(13.90)	11(22.00)	47(15.70)
6.	Service	4(9.50)	40(19.20)	5(10.00)	49(16.30)
	Total	42(100.00)	208(100.00)	50(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.6, is observed that out of the 42 borrowers with high level satisfaction, 10 (23.80 per cent) food products units, 8 (19.00 per cent) cottage and handicrafts, 6 (14.30 per cent) tourism, 7 (16.70 per cent)



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construction, 7 (16.70 per cent) trade and commerce and 4 (9.50 per cent) service industries. Out of the 208 borrowers with a medium level satisfaction, 59 (28.40 per cent) food products units, 36 (17.30 per cent) of cottage and handicrafts industrial units, 16 (7.70 per cent) of them tourism industries, 28 (13.50 per cent) of them construction, 29 (13.90 per cent) trade and commerce and 40 (19.20 per cent) service industries.

Further, it shows that out of the 50 borrowers with low level satisfaction, 12 (24.00 per cent) food products type of industry, 7 (14.00 per cent) cottage and handicrafts industry, 5 (10.00 per cent) tourism, 10 (20.00 per cent) construction, 11 (22.00 per cent) trade and commerce and 5 (10.00 per cent) service industries.

To test the null hypothesis that there is no relationship between the type of industry and the level of satisfaction, the Chi-square test has been applied and the calculated Value (C.V.) = 9.03346, table Value at 5 per cent level (T.V.) 18.307 and degrees of freedom is 10.

As the calculated Chi-square value is less than the table value, the null hypothesis is accepted. Thus it may be concluded that the level of satisfaction of the borrowers with the lending services of the BDFCL is independent of the type of industry.

Years of Existence of the Enterprises and Level of Satisfaction

The relationship between the years of existence of the enterprises and the levels of satisfaction is shown in Table 1.7.

Table 1.7 Years Of Existence Of The Enterprises And Level Of Satisfaction

Sl. No.	Years	Level of Satisfaction			Total
		High	Medium	Low	
1.	Below 5 years	13(31.00)	71(34.10)	8(16.00)	92(30.70)
2.	5 – 10	5(11.90)	88(42.30)	13(26.00)	106(35.20)
3.	10 – 15	4(9.50)	16(7.70)	7(14.00)	27(9.00)
4	15 – 20	8(19.00)	14(6.70)	4(8.00)	26(8.70)
5	20 – 25	6(14.30)	9(4.30)	8(16.00)	23(7.70)
6	25 and above	6(14.30)	10(4.80)	10(20.00)	26(8.70)
	Total	42(100.00)	208(100.00)	50(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.7, it is observed that out of the 42 enterprises with a high level of satisfaction, 13 (31.00 per cent) have been in existence for below 5 years, 5 (11.90 per cent) for 5-10 years, 4 (9.50 per cent) for 10-15 years, 8 (19.00 per cent) for 15-20 years of existence. 6 (14.30 per cent) of them have 20-25 years of existence and 6 (14.30 per cent) of them have above 25 years of existence. Out of the 208 enterprises with medium level satisfaction, 71 (34.10 per cent) have been in existence for less than for 5 years, 88 (42.30 per cent) for 5-10 years, 16 (7.70 per cent) for 10-15 years, 14 (6.70 per cent) for 15-20 years, 9 (4.30 per cent) for 20-25 years and 10 (4.80 per cent) for above 25 years.

Further it shows that out of the 50 enterprises with low level satisfaction, 8 (16.00 per cent) have existed for 5 years, 13 (26.00 per cent) for 5-10 years, 7 (14.00 per cent) for 10-15 years, 4 (8.00 per cent) for 15-20 years, 8 (16.00 per cent) for 20-25 years and 10 (20.00 per cent) for above 25 years.

To test the null hypothesis that there is no relationship between the years of existence of enterprises and the level of satisfaction, the Chi-square test has been applied and the calculated Value (C.V.) 45.35885, table Value at 5 per cent level (T.V.) 18.307 and degrees of freedom is 10.

As the calculated Chi-square value is greater than the table value, the null hypothesis is rejected. Thus, it may be concluded that the level of satisfaction of the borrowers with the lending services of the BDFCL is dependent on the number of years of existence of their units.



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Area of Plant Location and Level of Satisfaction

The relationship between the area of plant location and the levels of satisfaction is shown in Table 1.8.

Table 1.8 Area Of Plant Location And Level Of Satisfaction

Sl. No.	Location of Plant	Level of Satisfaction			Total
		High	Medium	Low	
1.	Rural	22(52.40)	97(46.60)	24(48.00)	143(47.70)
2.	Semi-Urban	9(21.40)	48(23.10)	20(40.00)	77(25.70)
3.	Urban	11(26.20)	63(30.30)	6(12.00)	80(26.60)
	Total	42(100.00)	208(100.00)	40(100.00)	300(100.00)

Source: Primary data.

Note: Figures in brackets represent percentage to total.

From Table 1.8, it is seen that out of the 42 borrowers with high level satisfaction, 22 (52.40 per cent) have their plants in rural areas, 9 (21.40 per cent) in semi-urban areas and 11 (26.20 per cent) in urban areas. Out of the 208 borrowers with medium level satisfaction, 97 (46.60 per cent) have their plants in rural areas, 48 (23.10 per cent) have their plants in semi-urban areas and 63 (30.30 per cent) have their plants in urban areas. Further it shows that out of the 50 borrowers with low level satisfaction, the plants of 24 (48.00 per cent) are located in rural areas, 20 (40.00 per cent) in semi-urban areas and 6 (12.00 per cent) in urban areas.

To test the null hypothesis that there is no relationship between the area of a plant's location and the level of satisfaction, the Chi-square test has been applied and the calculated Value (C.V.) 10.14312, table Value at 5 per cent level (T.V.) 9.488, and the degrees of freedom is 4.

As the calculated Chi-square value is greater than the table value, the null hypothesis is rejected. Thus it may be concluded that the level of satisfaction of the borrowers with the lending services of the BDFCL is dependent on the area of the plant's location.

Findings

It is observed that 71.20 per cent of borrowers have a medium level of satisfaction, while 12.80 per cent have high level and 16.00 per cent have a low level of satisfaction regarding the lending services of the BDFCL.

Regarding the Factor Analysis, the following factors were found to identify the borrowers' attitude towards the performance of BDFCL: 'The loan application of the bank is short and it elicits only the information required for the grant of loan', 'margin money fixed by the bank is too high and borrowers find it difficult to pay the margin money', 'the repayment schedules fixed by the bank are always unrealistic', 'the amount sanctioned by the bank is always less than the required amount, thereby causing financial problems' and 'the investment limit of Nu. One crore in plant and machinery for a borrower affects the share of financial assistance from the financial institutions' are the variables influencing the attitude of the borrowers to the lending services of the BDFCL.

Factors like the age of the entrepreneurs, the education of the entrepreneurs and type of industry do not influence the level of satisfaction of the borrowers. Factors like the location of the plant, the area of the plant location, the nature of the organisation and years of existence of the units have influenced the level of satisfaction of the borrowers regarding the lending services of the BDFCL.

Suggestions

The corporation officials should look into the real needs of the applicants while processing the application for loans. Those who really need more must be given more. At the same time, those who do not really need should not be given what they ask for. If the former is given less or if the latter is given more, it will not only impair the success of the schemes but also affect the recovery of the loan. Instead of giving loans to individuals, the Government may explore the possibility of giving loans to youth joint ventures. To begin with, one or two joint



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ventures may be selected and provided with loans in every block.

Conclusion

The researcher is able to move up to this concluding section after mopping up of resourceful inputs relating to the subject chosen for this present study. It is also with a sense of satisfaction since a local problem has been explored by employing the art and science of investigation at the micro and the macro levels well within the scope of the study. Though a few problems and areas may lie a little insignificantly the synthetic, analytical framework has been kept alive and intact throughout the process of throwing light. Certain technical and human bias based on difficulties of retrieval and recall might have crept in but they have been suitably neutralized and held at the safe limits in order to achieve objective observation of facts.

On the basis of the data analyzed and interpreted one is able to understand the degree of objectivity and thoroughness with which the corporation officials function and achieve. Educating the common masses in banking activities needs lot of courage and confidence, which are strengthened by the nature of co-operation extended by the beneficiaries. Parties concerned work and serve with skill and will. Still a few areas evade inspection and introspection. In finally, it can be humbly felt that this fact finding exercise has proved to be an academic joy and valuable addition to the fund of rewarding knowledge in this area. One can become highly optimistic that the suggestions advanced in this study are bound to pave the way for greater success.

APREVIATIONS

BDFCL – Bhutan Development Financial Corporation Limited
 Nu – Ngultrum
 BNB – Bhutan National Bank
 BOB – Bank of Bhutan
 RICB – Royal Insurance Corporation of Bhutan
 NPA – Non-Performing Assets
 CV – Calculated Value
 TA – Table Value
 NPPF – National Pension and Provident Fund.

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