SUMMARY, CONCLUSIONS & IMPLICATIONS:

This is perhaps the first micro level study to provide a comprehensive and historical analysis on the impact of formal finance in the process of industrialization and economic growth of a industrially backward districts of Indian developing economy. In the context of small-scale industrial developments the implications of study have got paramount importance in policy making and development modeling of a country like India. The present study makes a clear departure from the past analysis by rising direct link between Formal Credit Supply and other parameters of small-scale industries like Investment, Production, Employment and Profits, during the period from 1985-86 to 1997-98. An important feature of present analysis is that, for the first time we tried to apply the Theory of location to the small-scale industrie's location. Thus adopting different measures and approaches more practical and analytical analysis have been provided on linkages between the formal credit supply and growth of small-scale industries.

The thematic structure of this study is based on the argument that the supply of formal credit in any particular region is very much related to the development of small-scale sectors which provide employment and generate income on a large scale. The expansion of production and diversification of many small-scale industries necessitates timely supply of formal credit to the small-scale industries for meeting their short term as well as long term requirements. Our study has been adhering to the argument that the supply of formal credit to the small-scale sectors expedites its growth in different dimensions. Uttara Kannada was highly industrially backward district before the nationalization of commercial banks in India and still to include the small-scale industries in the priority sector. If there is
any initiative and development of Industries in the district, it may be traced back only to the 1970's and 1980's when financial institutions started to give loans and advances to Industrial sector especially small-scale industries at consessional interest rates and incentives under different programmes of the government. The districts experienced a little growth, thus as per the observation, the financial support of the financial institutions played a major role to develop small-scale industries in the districts. To know the depth of impact of formal finance this study is undertaken at macro as well as micro level. However, the more importance is given to micro level study. This study is related particularly to the period 1985-86 to 1997-98. The present study arrived at the following findings and implications.

The growth rate variation, the ratio analysis in macro level reveals (chapter II) that there is direct link between formal credit supply and growth of small-scale industries in different ways like Investment, employment creation, income generation and export promotion from this sector. The annual average growth rate of both formal credit supply and investment in these small-scale industries (SSI) sector of India indicate the same tendency under the study period. If we compare 1980's with 1990's the growth rate of both were relatively decreasing. It seems that after starting the liberalization in the Indian economy the flow of formal credit to small-scale industrial sector (SSI) is slightly decreasing and in turn there is downward trend in the investment also at the national level. Thus as per the observation, there is inter link between the formal credit supply and the investment in the Indian small-scale sector. Along with investment the establishment of number of units too indicated the same trend.

As we noticed in the Indian small-scale industrial sector both investment and employment opportunities growth rates are moving in the same direction. The
increase in the employment opportunities growth rate, was not as high as investment growth rate, because of capital intensity of small-scale industrial units of India in recent times. As per study this sector proved that more investment in this sector creates more employment opportunities.

The production in this sector is consistent with the investment. As we observed when there was increase in the investment there was increase in the production also. An important advantage incorporated in the small-scale units according to Ram.K.Vepa is the value added per unit of investment is 0.96 in the small-scale industries as against 0.46 in large-scale industries in India.

As per ratio analysis, the small-scale industrial sector of India is depending upon the supply of Formal credit Supply-investment ratio has been increasing that supports the above observation. The Investment-Production ratio was decreasing, Production-employment ratio, Production-unit ratio were increasing. These all are good for the progress of small-scale units in India. The employment-unit ratio is decreasing and Investment-Unit ratio was increasing, both indicate capital intensity of small-scale units in India.

Thus as per analysis, formal credit supply influenced on investment which is in turn impacts on employment generation and production in the small-scale sector of India and in promoting small-scale industrial development, formal credit supply plays prominent role in Indian economy.

The state level study also proved the role of formal credit supply in the development of small-scale industries (chapter III). Karnataka is a state where the

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development of small-scale industries is uneven among the different districts. A few districts of Karnataka especially districts of North Karnataka region are still industrially backward compared with the districts of South Karnataka region. As per the study, the supply of formal credit was more to latter region than to the former region.

Our analysis reveals that, during the period from 1985-86 to 1997-98, the impact of formal credit supply was a lot on the growth of small scale industry in the state, especially after 1980's the state government with its programs and schemes tried to increase the flow of formal credit to the state's SSI sector. As per the observation the small-scale sector responded positively to such measures but the response is quite impressive in the liberalization period when compared to the pre-liberalization period. We can find a strong rapport between the formal credit supply and investment in the SSI sector of Karnataka after 1990's. However it does not mean that there was no correlation between these two variables earlier. In addition to that, along with investment growth rate the establishment of units growth rate also was increasing after 1990's in the state.

In the state, investment and employment opportunities growth rates are inter linked. However the creation of employment opportunities from the investment was less in the SSI sector of the state after 1990's which may be due to capital intensity of small-scale industries as like in the national level.

In the ratio analysis, the formal credit supply-investment ratio shows increasing trend, which reveals the dependency of investment in the SSI sector of Karnataka on formal credit supply. Not only that the formal credit supply-unit ratio also supports the above results.
In the national economy, the share of the state investment in the SSI sector has been increasing. In addition to that the share of the state in the total units established in India is also indicating an increasing trend, it means that, Karnataka is becoming sound in the SSI sector of India. A small-scale unit, which established in Karnataka can offer more jobs in the SSI sector of the country. But, investment per labour was little bit more than the national economy, of course, which is not a healthy sign. The share of Karnataka in the employment creation in the SSI sector of India has been increasing. Thus from several point of view Karnataka's SSI sector is becoming pioneer in the SSI sector of India. The supply of more formal credit in the SSI sector of Karnataka proves more investment, more job opportunities, more production and more progress in the SSI sector of Karnataka.

In the micro level analysis (chapter V) as we have chosen one of the industrially backward district; Uttar Kannada in Karnataka state. In the beginning analysis concentrated on the aggregate industries level where investment was consistent with the formal credit supply. When there was an increase in the formal credit supply there was increase in the investment also during the study period from 1985-86 to 1997-98. The growth rates of both are increased more in the liberalization period than in the pre-liberalization period. Of course it is opposite to the small-scale industries growth rate in the national economy. Even employment generation was also consistent with investment. This is also more in the liberalization period but output growth rate is little bit less in the liberalization period. However the impact of investment on production is visible.

In the aggregate industries the growth rate of profit was considerable in the pre liberalization period. It was less in the liberalization period. As per the analysis
it was due to the number of SSI units, which established in 1990's in the district are in the initial stage of production. Thus they gave more importance to sale of their products. However in the long run profit responded positively to the investment in these industries.

The ratio analysis of the aggregate industries substantiates the dependency of small-scale units in the district on the formal credit supply. The formal credit supply-investment ratio has been increasing under the study period. In addition to that the formal credit supply-unit ratio was too increasing. Both are the indicators of dependency on formal credit supply.

Production-Employment ratio, Production-Unit ratio, were increasing. Investment-Production ratio was decreasing of course. These are the good signs to small scale industrial organizers of the district. However, Investment-Employment ratios, Investment-Unit ratios were increasing and Employment-Unit ratio was decreasing. That are all indicators of capital intensity of the small-scale units in the District.

Thus as per the observation at the aggregate industrial level, formal credit supply influenced on investment in turn on the employment generation, production and profit. As per the study formal credit supply is inevitable for the growth of small-scale industries in different directions in the Uttar Kannada district of Karnataka.

If we go to conclude on each kind of SSI units which we selected for the study, the following decision can be arrived at. The printing and stationery units are one of the growing small-scale units in the district (chapter V). As per the study in the growth path of printing and stationery industry the role of formal credit supply is
considerable. The impact of formal credit on investment in these industries was more in the liberalization period than in the pre-liberalization period. Both formal credit supply and investment growth rates were more in the 1990’s period and it indicates consistency with formal credit supply. There was also direct relationship between investment and employment generation, the growth rates of both were more in the liberalization period. Investment also influenced on the production in these printing and stationery industries. Of course on an average growth rate investment was more in the liberalization period, that was so in the case of the production also. The profit in these printing and stationery industries is positively responded to formal credit supply and investment. The enterprises of these industries are earning good margin of profit.

As per ratio analysis Formal Credit Supply Investment and Formal Credit Supply-Unit ratios are more in the most of the years under the study period. Production-Employment ratio, Production-Unit ratios were increasing. But investment production ratio was decreasing. They are all supportive to the growth of these printing and Stationery industries in the district. The Investment-Employment-ratio was increasing that indicates capital intensity of these industries. Thus, as per the analysis the Formal Credit Supply played an important role in the promotion of these Printing and Stationery industries in the District.

Another small-scale industry we selected for the study is Food and Beverage Industry (chapter V). This is one of the important small-scale industries in the district. As per the observation the growth trend of these Food and Beverage Industries is consistent with national economy. The growth rates of these industries were more in the pre-liberalization period than in the liberalization period. In these industries to some extent investment was depending upon the formal credit supply.
When there was increase in formal credit supply, there was increase in the investment too. In turn employment opportunities and production, ultimately the profit. Thus the formal credit supply is to determine the investment, employment generation, production and profit in the Food and Beverage Industries of Utta Kannada district.

As per the ratio analysis Formal Credit Supply-Investment ratio indicates increasing trend and Formal Credit Supply-Unit ratio was mounting. Thus both ratios prove the dependency of investment on Formal Credit Supply. Production-Employment ratio, Employment -unit ratio and production-unit ratio were increasing but investment production ratio was slightly decreasing. They are all better sign to the promoters of these food and Beverage industries in the district. But increasing Investment-Employments ratio is not good at all. Thus, the Formal Credit Supply has to play an important role in the development of the Food and Beverage Industries in the District.

General Engineering Industries are also being established in the district in recent years. It seems they are too depending upon the formal credit supply for the investment in their venture (chapter V). If we observe the growth rate of two variables, there was almost direct relationship between formal credit supply and investment in these General Engineering Industries. The growth rates of both were more in the liberalization period rather than in the pre-liberalization period. In case of employment generation in these industries a role of investment was there. However because of modern technology during the liberalization period, growth rate of employment was less in the General Engineering Industries of the district. As per the observation there is direct relationship between investment and production in these industries. Both variables have better growth rates during the liberalization period. But in the case of profit the General Engineering Industries responded
strongly during the pre-liberalization period compared to the liberalization period. It was due to industries gave more importance to sales in the later period.

As per ratio analysis, investments in these General Engineering Industries are depending partly upon the supply of Formal Credit Even the supply of Formal Credit-unit ratio also supports the same. The production-unit ratio, production-Employment ratio, are increasing Investments-production ratio is indicating slight decreasing trend. They are all good sign to the investors in the General engineering Industry in the Uttara Kannada district. Investment-Employment ratio was slightly fluctuating under the study period, however as per the survey, General Engineering Industries are tilting more towards the modern technology. Thus as per study formal financial help is required to promote these kinds of industries in the district.

The Wood and Wood Based Industries are one of the industries having more scope in the district (chapter V). As per the observation there was a little support of a formal credit supply to these Wood and Wood Based Industries, during pre-liberalization period. But after 1990's these industries are getting supply of more formal credit. Thus, the growth and investment in these industries were more in the liberalization period. Investment in Wood Based Industries created more job opportunities though not in high rate. However in other end investment surely helped to increase the production, both in pre-liberalization and liberalization period in these industries. The profit was quite responsive to formal credit supply and investment. This is one of the restrictive industry which is based on forest products. Even though, because of the good margin of profit, a number of entrepreneurs are coming forward to invest in these Wood Based Industries, after formal credit supply has increased.
As per ratio analysis, these industries are depending more and more on the Formal Credit Supply for its investment and growth in recent years. The ratio between Formal Credit Supply-Investment was high in all most all the years. Which we have considered for our study. The Formal Credit Supply-unit ratio supports the above idea. Production-Employment ratio, Production-unit ratio were increased, Employment-unit ratio was almost all constant. Investment-Production ratio was slightly decreasing of course, these are the better sign to investors in Wood and Wood Based Industries. The use of Modern technology not so wide in these wood Based Industries. These to promote wood Based Industry Formal Credit Supply is needed.

The Glass and Ceramic units are another kind of small-scale industrial units in the district (chapter V). As per study these industries are partially depending upon formal credit supply for their development. However formal credit supply helped them to increase their investment, the impact of formal credit supply was more during the pre-liberalization period as per the growth rates. Investment in these industries though not in high rates created some more job opportunities. In addition to that, investment is influenced on output. The impact was more during the liberalization period. The profit is another variable, which responded to the investment in this Glass and Ceramic Industries. However the growth rate of profit was more during the pre-liberalization period compared to the liberalization period. It was not because of restriction but because of units, which established during 1990’s. They were in the initial stages of production so the profit was less.

In the ratio analysis, the formal credit supply-investment ratio reveals partial dependency of investment on formal credit supply in the Glass and Ceramic Industry. Of course the formal credit supply-unit ratio also indicates the same trend. Production -Unit ratio, production -employment ratio are increasing. Both are
good sign to promoters of Glass and Ceramic industries. Investment – production ratio, Investment-Employment ratio, were fluctuating. But employment-unit ratio was decreasing, and investment-unit ratio was increasing. They all are indicate capital intensity of the Glass and Ceramic industries in the recent years. It is one of the rapidly growing industries in the district, with the proper supply of Formal Credit this may grow even more speedily.

Thus, as per the observation all the selected industries like Printing and Stationery, Food and Beverage, General Engineering, Wood and Wood Based and Glass and Ceramic Industries have more or less showed progress in different dimensions with the formal financial help.

If we compare the growth rates of different parameters between three levels. We can conclude the growth rate of Formal Credit Supply is more in the District level rather than the state and national levels. In respect of Investment also the same trend is emerged. Even in case of Investment and Employment growth rates the same condition are there. Investment and production growth rates are moved in the same direction in all the three levels. Of course, in all respect growth rates are more in the District level compare to state & National level. Not only that it is proved that dependency of all most all parameters on Formal Credit Supply in the SSI sector.

For the first time an attempt is made to apply the location theory to small-scale industry (chapter VI). In the analysis almost all factors like sources of raw materials, means of transport facilities, availability of labour at cheaper rates, nearness of market to sell the finished goods, availability of capital, supply of power, natural climatic conditions and government policy, which we discussed in Weber’s theory location, apply perfectly to the Food and Beverage Industries, the Wood and Wood Based Industries and
Glass and Ceramic Industries in the Uttara Kannada district. But in the case of Printing and Stationery Industry and General Engineering Industries, except for the sources of raw material, all other factors apply. The raw material factor does not apply to these General Engineering and Printing and Stationery Industry. Because they have to buy it from some far off cities. As per our observation Weber's theory of location applies even to small-scale industrial establishments in Uttara Kannada district.

To sum up, beginning with national, state and district level we can find such a scene where formal financial institutions supply timely and sufficient working and fixed capital to small-scale sector. In such regions where the development of small-scale industry is considerable. As per our study with growth rate analysis, ratio analysis and graphical analysis both at macro as well as micro level proves that finance from formal financial sector is one of the key factors which helps to promote small-scale industries from district level to national level. The other factors like labour problem, raw material problem, market problem etc., can be to a major extent sorted out with the help of formal financial institutions in proper time, in a highly naturally gifted and populated country like India.

As per the study the formal credit supply has its own impact on different parameters of small-scale industries like investment, employment generation, production and profits. Thus to generate employment, increase production to promote economic development, formal credit supply is inevitable and profit is positively responded to formal credit supply. In our ultimate conclusion we may say to uplift industrially backward district, having abundant natural resources and entrepreneurial potential, and achieve equality among different regions, the supply of formal credit to small-scale industry may be one of the proper solutions. In respect of
recent economic policy, even after liberalization process started some regions are getting attention of the government, through measures and aids. However it seems globalization policy will have bad repercussion on the marketing of small-scale industrial production in India.

In our attempt to apply Weber’s theory of location we found that as like large scale industries establishment location theory applies to small-scale industrial establishment too.

This study suggests the following policy implications:

1. Timely supply of formal credit is very important for the growth of small-scale industries. So the financial institutions have to simplify the procedures and need based finance is more relevant for the development of small-scale industry in India.

2. It is observed that the performance of small-scale industries in various parameters is good of those firms where the entrepreneur has formal training as compared to the other firms entrepreneurs, who were acquired the expertise after the establishment of their units. Therefore there is a need to give training for the entrepreneur who would like to construct new firms.

3. There is unhealthy competition between large-scale and small-scale industries in promoting their sales. The large-scale firms are using different media to capture the market. But it is observed, small-scale industries are not using media, which is out of their capability to use as a promoting agents for the sale of their products. Recently in India, cable channels have been operating locally, as these channels are also considered as a media to promote the sales. Therefore, to overcome the marketing of small-scale industries they should use these local media as an advertisement for promoting their sales.

4. Proper supervision by Government and Banking authorities help to timely recovery of loans to small-scale industries of Uttara Kannada.