Chapter VI

Summary of Findings, Suggestions and Conclusion
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CHAPTER VI
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The small scale industrial units has acquired a prominent place in the socio economic development of India. Small-scale industries are small in terms but play a significant role in the Indian economy. It is acknowledged by the government that, alongside agriculture, small-scale industry is an important segment of the Indian economy. Small scale industries contribute significantly to generation of employment, dispersal of industrial activity to rural and backward areas, ushering in all-round economic growth by value addition, ensuring the mobilization of local capital and developing entrepreneurial skills.

The overall credit of development of this sector goes primarily to the vision of Sri. Jawaharlal Nehru, the first prime minister of independent India, who proposed and implemented the development of core industry and a supporting sector in the form of small scale enterprises. In the words of the former Prime Minister Dr. Manmohan Singh, ‘The key to our success in employment lies in the success of manufacturing in the small scale sector’. Further the present Prime Minister Narendra Modi also mentioned same line in connection with economic development when the government implemented ‘make in India’ scheme. The small-scale sector is important not only for its substantial contribution to the GDP but also for its stellar performance in exports and generating employment and thereby sustainable development of economy.
Small is beautiful, so as also small scale industries. It is significant segment of Indian economy. The basic objective underlying in the development of small and medium industries are the increase in the supply of manufactured goods, promotion of capital formation, development of indigenous entrepreneurial talent and skills and creation of employment opportunities. In addition, they include such socio economic goals as the decentralization and disbursable of any manufacturing activities from metropolitan to non metropolitan and rural areas, the reduction of regional economic imbalances within the country and diffusion of entrepreneurial and managerial abilities and skills as well as technology through-out the country. The small scale industries have been experiencing major turnaround in the post liberalization period with the growth rate hovering 15% which is much higher than large scale industries. In labour abundant capital scare country like India, small scale industries have come to occupy significant position in the planned industrialization of the economy. Most small scale industries have low capital intensity and high potential for employment generation besides possessing location flexibility which serve as an effective instrument for achieving a wide disbursal industrialization. Apart from this, small scale enterprises are the beehive of entrepreneurship, innovation, growth and development. Of late, Asian industries have adopted deliberate policy of promoting and encouraging small enterprises as a strategy for the accelerated industrialization. India too has given highest priority for fostering the development of small sectors. Small scale enterprises are no longer fighting local battle but global war. In such global competitive scenario, small enterprises may emerge victorious by changing the tactics of war-fare. To enable small scale enterprises to succeed and excel, it is necessary to provide basic tool and techniques of modern management for which it needs timely credit,
financial services from various financial institutions. This study aims at throwing light on financial services provided by public and private sector financial institution to accelerate the growth of Small scale units i.e., the growth and sustenance of any Small scale units depends on availability of financial services which in turn supported by public and private financial institutions. The financial cost dictated by financial institutions determines the survival of the industry. Due to this reason, it is felt necessary to make study of financial institutions contributions for the growth of Small scale units.

Finance is key input of production, distribution and development of any business organization. It is therefore, aptly described as the ‘life-blood’ of industry and is a pre-requisite for accelerating the process of industrial development. The process involved in setting up an industrial unit like providing the infrastructure, placing, advertisements, marketing the product and the like are based on free flow of funds and a sound financial position. Finance assumes great importance because non-availability of timely or adequate finance acts as a restraining factor.

During the pre-independence period, financial constraints had hampered the brisk development of industries in India. After independence, the government has built up a network of specialized financial institutions with a fairly big capital base to provide financial assistance to all type of industries, including the small-scale industries. A multi-agency credit structure, to fulfill the various types of financial needs of the units in the SSI units sector, has been evolved in the country over the years. The Reserve Bank of India as the central monetary authority of the country has been instrumental in ensuring availability of credit to the SSI units sector.
Different national and state level institutions operating in the country for meeting the credit requirements of the SSI units sector include Small Industries Development Bank of India, Commercial banks, Regional Rural Banks, Co-operative Banks, State Financial Corporations/ State Industrial Investment Corporations, State Small Industries Development Corporation, National Bank for Agricultural and Rural Development, Statutory bodies (KVIC, COIR board and Handloom Board), National Small Industries Corporations Limited and the like.

To facilitate a higher flow of credit from institutional sources to the preferred sector including the SSI units nationalization of major private sector banks was done in two phase’s in 1980. Besides providing short-term financial assistance, commercial banks support small enterprises by extending term loans and by financing the government sponsored schemes. In the Indian banking system, the SSI units enjoy the status of a priority sector in seeking financial assistance and borrowers belonging to this category have the benefit of availing loans on favorable terms. However, with the onset of banking sector reforms and as a part of deregulation of interest rates, the availability of credit has been linked to the rates of interest as determined by market forces.

A growing economy needs the support of a financial structure which is responsive to the needs of development. In India, in the process of financial deepening, commercial banks and other financial institutions have to shoulder special responsibilities for meeting the financial needs of diverse sector of the economy, including SSI units sector at various stages of development. In the process, they have evolved various modes and instruments of financing, fashioned various organizational innovations, moved away from traditional financing and evolved into development finance, responsive to socio-economic needs. The SSI
units have to depend primarily on credit of financial institutions with their vast network of branches.

In Karnataka state there are several financial institutions and banks which provide all sorts of financial assistance to the SSI units. Of these commercial banks both private and public sector banks and state financial corporation is playing a predominant role. In this context the present study, A Study on Institutional financing for the Development of Small Scale Units in Karnataka State was taken with the objectives:

1. To study the small scale units performance in India and particularly in Karnataka State.
2. To present an overview of schemes of assistance offered by financial institutions to small scale units.
3. To study the amount of finance funded by various types of financial Institutions.
4. To compare the growth of Small scale units funded by public and private sector financial institutions.
5. To examine the major problems faced by Small scale Units for getting financial assistance
6. To offer concrete suggestions and conclusion.

To fulfill these objectives the researcher has used a questionnaire to collect required data from purposively selected 429 sample small scale industries respondents from Karnataka state. The collected data has been analyzed with the help of suitable statistical tools like trend analysis, compound growth rate, ‘t’ statistics, Factor Analysis, Friedman test statistics and Henry’s Garrett’s Ranking
Techniques. The important findings of the study have been summarized in the following section.

6.1. FINDINGS

- There is constant increase in number of small scale industry in India. In the year 2014-15 there is a slight decrease in working SSI units and the compound growth rate during the study period is 5.26 per cent. The production of the SSI units showing the compound growth rate as 8.93 per cent over the year, and there is a constant increase in employment generation by the active SSI units in India during the study period. Notably in the year 2014-15 there was a huge increase comparing with any other year under the study. There is a 5.24 per cent compound growth rate was registered during the study period.

- The number of SSI units registered in Karnataka increased from 334386 units in the year 2006-07 to 486931 units in 2015-16. The increase was the highest during the year 2012-13 with the increase 24206 units compared to the previous year. In Karnataka SSI units’ registration has showing compound growth rate of 3.83 per cent during the study period.

- The amount of investment in registered SSI units in Karnataka is showing positive trend during the study period further it shows that the compound growth rate of 9.24 per cent. The investment amount has increased from Rs 735616lakhs in 2005-06 to Rs. 1779611 lakhs in 2014-15. During the study period in the year 2012-13 only a highest increase in investment value of the registered SSI units.

- The number of employment creation by small scale industries increased from 1888000 in 2005-06 to 2869000 in 2014-15. The increase was highest during the year 2012-13 with the increase of 156000 compared to the previous year.
Further analysis illustrate that the positive trend in creation of employment in Karnataka by the SSI units.

- The states of Karnataka, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Gujarat and Maharashtra had maximum number of sick units. These states together accounted for 57.57 percent of the total sick units in India. ‘Lack of demand for their products’ and ‘shortage of fund’ especially working capital fund were the main reasons for sickness or incipient sickness in both the registered and unregistered sectors.

- From the beginning of the study period public sector banks have been providing huge amount of finance to the SSI units than private and foreign banks. In the study period public sector banks credit to the SSI units has increased from INR 82434 crores to INR 633830 crores. This increase is almost eight times in ten years. Like that private sector banks credit to the SSI units has increased from INR 10421 crores to INR 200138 crores and foreign banks credit to the SSI units INR 8430 crores to INR 32893 crores.

- The amount sanctioned by SFC to SSI units in India is showing increasing trend for first three year from 2005-06 after this sanctioned amount shows that fluctuating trend.

- There is a substantial increase in the amount sanctioned over the period by the KSFC. In the year 2014-15 the highest amount of INR 90264.1 lakhs was sanctioned and in the year 2013-14 INR 99980.3 lakhs was disbursed.

- In Karnataka state NSIC extended financial assistance is increasing year-to-year in the year it was 53 crore rupees in 2009-10 and it is increased to 154 crore rupees in 2014-15.
• There is an irregularity in the amount sanctioned by the IDBI, over the period. In the year 2009-10 the highest amount of INR 269.67 billion was sanctioned and in the year 2010-11 INR 174.77 billion was disbursed.

• It can be observed from the study that there is a substantial increase in the amount of sanctioned by the SIDBI over the period but sanctioned amount is irregular. In the year 2014-15 the highest amount of INR 550.39 billion was sanctioned and INR 531.38 billion rupees was disbursed.

• All the financial institutions except banks extending financial assistance to SSI units in Karnataka is growing at the rate of 2.03 per cent during the study period and it shows that irregular trend.

• The study clearly shows that SIDBI and LIC is the major financial institutions providing loans to SSI units in Karnataka state. The Compound growth rate of amount of loan disbursed by IFCI is 9.73 percent; SIDBI is 15.11 per cent; VCFL is 35.88; TFCI is 16.25 and LIC is 12.26.

**TABLE 6.1**

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<thead>
<tr>
<th>S.No</th>
<th>Name of the Financial Institutions</th>
<th>Scheme</th>
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| 1.   | Commercial Banks                  | • Term Loan both short-term and long-term loans  
|      |                                   | • Letter of Credit facility                      
|      |                                   | • Pre-shipment and post-shipment credit          
|      |                                   | • Duty Drawback Scheme                           
|      |                                   | • Entrepreneurs Schemes                          
|      |                                   | • Equity Fund Scheme                             |
| 2.   | Small Industries Development Agency| Single Window service for SSI units              |
| 3.   | Karnataka State Financial Corporation| Term Loan for New and Existing SSI units        
|      |                                   | • Subscription to Equity shares                   
|      |                                   | • Seed Capital Assistance                        
|      |                                   | • Risk Capital Assistance                        
<p>|      |                                   | • Lease Financial Assistance                     |</p>
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<th></th>
<th>Scheme Description</th>
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<tr>
<td></td>
<td>Hire purchase Assistance for acquiring Machineries/equipment etc</td>
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<tr>
<td></td>
<td>Indirect Assistance- Underwriting, Bill Discounting, Suppliers line Credit and Equipment Finance Scheme</td>
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<td>4</td>
<td>Small Industry Development Bank of India (SIDBI)</td>
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<td></td>
<td>Credit Guarantee Fund Scheme for Small Industries (CGFI)</td>
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<td></td>
<td>Venture Capital Fund</td>
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<td></td>
<td>Credit Linked Capital Subsidy Scheme for Technology Up-Gradation</td>
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<td>Refinance Scheme</td>
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<td></td>
<td>Composite Loan Scheme</td>
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<td></td>
<td>National Equity Fund Scheme</td>
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<td></td>
<td>Technology Development and Modernization Fund</td>
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<td></td>
<td>Integrated Infrastructural Development Scheme</td>
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<td>Rediscounting/Direct Discounting Scheme</td>
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<td>Fast Track Financing Scheme</td>
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<td>Rehabilitation of Sick Units &amp; Export Credit</td>
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<td>5</td>
<td>Industrial Development Bank of India (IDBI)</td>
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<td>Refinance Scheme</td>
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<td>Bills Rediscounting Assistance</td>
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<td></td>
<td>Seed Capital Assistance</td>
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<td>6</td>
<td>Deposit Insurance and Credit Guarantee Corporation (DICGC)</td>
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<td></td>
<td>Small Loans (SSI units) Guarantee Scheme</td>
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<tr>
<td>7</td>
<td>Industrial Reconstruction Bank of India (IRBI)</td>
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<td></td>
<td>Line of credit scheme to SSI units</td>
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* Schemes available to MSMEs through Ministry of MSME are Scheme for providing financial assistance on International Cooperation, Scheme for providing financial assistance for performance and credit rating under PCR Scheme, Scheme for providing financial assistance on marketing support under Marketing Assistance Scheme, Reimbursement of registration fee for Bar coding, Support for setting up of Business Incubators, Enable participation of MSMEs in state/district level trade fairs and provide funding support, Funding support to MSME for adopting Corporate Governance practices, Funding support for ICT infrastructure upgradation, Capital subsidy support on credit
for technology upgradation and funding support to provide for security amount for extending credit to MFIs/NGOs.

- More amount of loan is disbursed by public sector financial institutions in the study area. The loan amount for companies by the public sector financial institutions is more. Further from the study it can be understood that both public and private financial institutions are willing to lend the credit to the company form of SSI units than the proprietorship type of SSI units in the study area, so that only the average loan amount is high.

- From the investment level wise analysis it can be understood that the SSI units which are having investment in the range of Rs. 25 lakhs to Rs. 50 Lakhs are getting more amount of credit from the private financial institutions but in other cases public sector financial institutions lending more amount of credit to the SSI units. In both cases the average amount of credit is more in the public sector financial institutions.

- The public sector financial institutions like SIDBI, SBI and KSFC disbursing more credit on long term basis. While in the investment level analysis it can observed that private sector financial institutions disburse more credit on short-term basis particularly to the SSI units which have investment level between Rs. 25 lakhs to Rs. 50 Lakhs and SSI units have investment level between Rs. 1 crore to Rs.2 crores.

- All the business units aided by public sector financial institution are granting more loans for the purpose of purchase of fixed assets than the working capital requirement. The public sector financial institutions are not granting any collective loans to the SSI units, rather than the private sector financial institutions are granting it. Pooling credit facilities to the SSI unit in the study
Further it is found that the both public and private sector financial institutions granting more loans for the purposes of acquiring fixed assets.

- From the analysis it has found that the variables studied show significant difference between the groups. It is seen that public sector has disbursed more amount of loans and more amount is granting as long-term loan and these given primarily for acquiring the fixed assets. On the other hand the private sector financial institutions have mixed type of disbursement of loan i.e. for both short-term and long-term loan. The sizes of the loans disbursed are found to be long-term loans. This proves that public sector financial institutions providing more credit to the SSI units than the private sector financial institutions.

- The public sector aided units are found to have spent on an average of Rs. 16815 for obtaining loans while private sector aided units have spent Rs. 16932. The SSI unit which is in company form spending more money for getting loan from private sector financial institutions than the public sector financial institutions. This difference is found to be statistically insignificant since calculated value is 0.167 which is more than the 0.05 at 5 per cent level of significant. The investment level wise analysis also shows that the private financial institutions aided SSI units’ are found to have spent on an average amount of Rs. 16901 for availing loan, it is Rs. 16857 in the case of public sector financial institutions aided SSI units. Further the study found that there is no significance difference in all organization wise and investment wise with public and private financial institutions aided units.
The majority of the public sector aided SSI units (154) opined that the rate of interest is high. In the case of private sector aided SSI units 94 respondents opined that the rate of interest is reasonable. SSI units which are in partnership form have opined as interest rate is high in the case of public sector financial institutions but it is reasonable only in the case of private sector financial institutions. The calculated ‘p’ value was found to be significant in the case of partnership form SSI units and company form SSI units. In partnership form SSI units there is difference of opinion regarding rate of interest between the public sector financial institutions aided units and private sector financial institutions aided units. In the same way among company form of SSI units there is a significant difference of opinion regarding rate of interest for loan from public and private sector financial institutions.

The investment wise analysis shows that the significant difference in the case of SSI units which have investment from Rs. 1 crore to Rs.2 crore. In this category public sector aided 36 SSI units opined that interest rates are reasonable whereas in private sector aided units 27 SSI units opined that interest rate is high, further calculated P value is less than 0.05 hence it concluded that there is a significant difference between them. Further it can be understood from the study that among the SSI units which has investment amount from Rs. 2 crore to Rs. 5 crore are not significant difference of opinion regards interest rate of loan.

Among the 257 SSI units which is financed by public sector financial institutions most of the SSI units (85) availed their loan amount in single installment whereas among 172 SSI units which is financed by private sector financial institutions experience.
financial institutions, most of the SSI units (62) availed their loan in two installments. It shows that private sector financial institutions releasing the loan amount mostly in installment only. Organization wise analysis shows that there is no significance difference with the loan amount installment but investment level wise analysis shows significant difference at 5 percent level with the same evident in SSI units which is have investment of Rs. 50 lakhs – Rs. 1 crore and Rs. 1 crore – Rs. 5 crore.

- In organization wise analysis, proprietary concern and partnership firms in two groups are found to not differ significantly but SSI units which is in company form differ with moratorium period in between public and private sector financial institutions. While most of the units in the private sector financial institutions aided group have moratorium period in between three months to six months. Investment level wise analysis shows significant difference in SSI units which is having investment of Rs. 2 crore to Rs. 5 crore. Most of the private sector aided units enjoying moratorium period of less than three months.

- Majority of the beneficiaries in public sector financial institutions are satisfied with the moratorium period of the loans but in private sector most of the beneficiaries are not satisfied with the moratorium period of the loans. Organization wise analysis shows that calculated chi-square value of 12.945 and ‘p’ value of 0.001, since p value is less than 0.005 it concludes that there is no significant difference but the investment analysis reveals significant difference in the fourth category only. In this category a significantly higher number of private sectors financial institutions aided units are found to be
dissatisfied with the moratorium period whereas in public sector institutions aided units more number of SSI units area satisfied.

- Out of 257 small scale units, which are aided by public sector financial institution 75 units (29%) would obtain financial assistance from financial institutions to extend of more than 75% of their requirement. Whereas only 37 small scale units out of 172 units which are aided by private sector financial institutions would get financial assistance to the extent of above 75% of their financial requirement. For meeting the remaining portion they depend on other sources. Organization wise analysis shows that the calculated chi-square value of 8.241 and ‘p’ value of 0.041, since p value is less than 0.005 it concludes that there is significant difference between public and private sector financial institutions aided SSI units. Further this organizational wise analysis shows that proprietary concerns and partnership form SSI units in two groups are found to differ significantly. Most of the units in the public sector financial institutions aided group have availing only 50-75 percent of their requirements.

- Investment level wise analysis shows significant difference in category three and four. Here also same pattern of evident. Public sector financial institutions aided SSI units in all the categories are availing more amounts of their requirements.

- The magnitude of difference for public sector aided units on an average comes to Rs. 139552 while the corresponding figure for the private sector financial institution aided group is Rs. 139028. However this difference in average amount of difference between the groups is not significant. The assertion of cent per cent security cover for the advances is the principle
reason for the difference. Organization wise analysis shows no significant difference between the groups in the study area. However company form of SSI units shows the significant difference at 10 percent. Investment size wise analysis discloses that there is significant difference between the groups first and fourth at five percent level of significance. The magnitude of difference for public sector aided units which is having investment of Rs. 25 lakhs to Rs. 50 lakhs on an average comes to Rs. 138700 while the corresponding figure for the private sector financial institution aided group is Rs. 140511. Hence this difference in average amount of difference between the groups is significant. Like this SSI units which is having investment of Rs. 2 crores to Rs. 5 crores on an average comes to Rs. 138389 while the corresponding figure for the private sector financial institution aided group is Rs. 140795. Therefore this also showed significant difference at five percent level in average amount of difference between the groups.

- The time lag between the loan applied and loan sanctioned by the public and private sector financial institutions to the SSI units in the study area. Among the 257 SSI units which is aided by the public sector financial institutions, most of the SSI units (77) are getting their loan after six weeks from their application whereas out of 172 SSI units which is aided by the private sector financial institutions, most of the SSI units (55) are availing their loan between 2-4 weeks from the their loan application. Organization and investments size wise analysis shows that there is no significance difference between the groups.
The magnitude of unsatisfied customers is found to be lower in private sector financial institutions aided SSI units compared to the public sector financial institutions aided SSI units. The number of partially satisfied customers is found to be highest in the private sector financial institutions aided group. Organization wise analysis shows that there is no difference in two groups and investment size wise analysis shows that there is a significance difference in the group three and four. In the group three, partially satisfied customers is more in the case of private sector aided SSI units and in the fourth group also more number of partially satisfied customers is more. In other groups the difference between two groups is not significant.

SSI units in the public sector financial institutions aided group have generated an average profit of Rs. 121531 while units in the private sector financial institutions aided group have generated profit Rs. 125971. In the form of proprietorship form of SSI units does not have significant difference between private and public sector aided units. Further the study reveals that the public sector aided SSI units earn lesser profit than SSI units which is aided by private sector except proprietary form of SSI units. Investment level wise analysis reveals that the public sector financial institutions aided SSI units in first and fourth categories earned lesser amount of profit than that of the private sector financial institutions aided units.

The organization wise analysis with regards to mean value added, the average amount of mean value added by public sector aided units comes to Rs. 61210334, whereas the private sector aided units comes to Rs. 2822090. The private sector aided partnership firm and companies have more value addition than public sector aided units. Further it shows that significant difference
between the groups since calculated ‘p’ value is less than 0.05. Investment size wise analysis reveals that in first group and fourth group the private sector aided units have more value addition than public sector aided units. Further these groups show the significant difference at five per cent level of significance.

- Organization wise analysis shows that in all type of organization private sector aided units using their capacity more than public sector aided units. But this difference is not significant level as per the ‘t’ test since calculated ‘p’ value is more than 0.05, so the hypothesis is accepted, hence it concludes that there is no significance difference in two groups of capacity utilization performance. Comparing two groups on the basis of size of investment shows that units assisted by private sector financial institutions in the third and last category have performed better than public sector aided units coming in the same category. The calculated ‘p’ value under these categories is less than 0.05, so the hypothesis is rejected; hence it concluded that there is significance of difference in utilization of mean capacity under two groups.

- Majority 58 percent of the respondents are high with the factor of processing time, majority 59.4 percent of the respondents are high with the factor of terms and conditions, majority 40.8 percent of the respondents are high with the factor of Relationship with banks and financial institutions, majority 40.1 percent of the respondents are high with the factor of Amount of financial assistance, majority 60.0 percent of the respondents are high with the factor of Interest payment, majority 50.6 percent of the respondents are high with the factor of holiday period, majority 56.2 percent of the respondents are high with the factor of getting timely assistance, majority 58.2 percent of the
respondents are high with the factor of procedure to be complied and majority 57.8 percent of the respondents are high with the factor of availing concession for prompt repayment.

- From the study it has found that among the nine factors terms and conditions for financial assistance is ranked first. It is followed by the processing time, procedures to be complied and amount of interest. Relationship with banks/financial institutions is ranked as last and the reliability is 0.792.

- Out of total 429 respondents most of the respondents (93) are given first rank for the variable financial institution is always pessimistic. The variable called very rigid terms & conditions 85 respondents are given third rank followed by 72 respondents are given first rank. In relating to the Variable called financial institutions all risk avoided 107 respondents are given fourth rank and for the variable there is no encouragement for new venture 82 respondents are given second rank. For the variables timely help is not given is ranked as fifth by the 91 respondents and for the variable assistance is limited’ is ranked as sixth by the 72 respondents. The variable called Non-financial support is not rendered’ is yet another problem which is ranked as eighth by 107 respondents and finally the variable informational asymmetry’ is ranked as sixth by 91 respondents.

- By considering number of respondents, rank the variable called financial institutions are risk avoiding is most important factor as relating to the drawbacks associated with financial assistance by the banks and financial institutions. With using Henry Garret Ranking technique most importance factors is the variable very rigid terms & conditions followed by banks and financial institutions, no encouragement for the new venture is ranked as
second and financial institution is always pessimistic is ranked as third. The variables financial institutions all risk avoided, timely help is not given, assistance is limited, non-financial support is not rendered and informational asymmetry are ranked as fourth, fifth, sixth, seventh and eighth rank as per Garret score.

- An attempt has been made to measure the impact of financing by financial institutions on respondent study units in Karnataka state. The impact is studied by analyzing the quantitative change in the selected variables of the respondents units before and after receiving financial assistances from selected financial institutions. Variables like value of land, building, value of machinery, value of the tools used, value of the vehicles of the industry, value of the furniture equipped, value of the raw materials kept in the business, value of the finished goods stored, production the sales effected, the capacity utilization the total amount capital and the profit of the businesses of the respondents were selected for the present study.

- The average value of land of sample units before and after availing loans from selected financial institutions in Karnataka was studied. The value of land registered 81.84 percent increase after availing loan. The growth in value of lands of sample units was found to be significant at five percent level of significance after availing loan from financial institutions and so the null hypothesis is rejected. Hence small scale industries in the study area are able to acquire more lands for constructing buildings with loan availed from financial institutions in Karnataka.
• The average values of buildings of sample units increased from Rs. 1329320.0 to Rs. 2645920.0 during the period between before and after availing loans from financial institutions. The investment in building is twice over before availing loans as the rate of increase was 174.27 per cent. Further the study found that there is a significant increase in the value of buildings of sample SSI units after availing loans from financial institutions, since respective ‘t’ value is 12.12 which is greater than the its table value. Hence the null hypothesis is rejected. It could be concluded that financial institutions loans helped the SSI units in the study area to have more owned buildings for conducting their business operations.

• The values of machinery owned by sample units have become more than doubled after availing loans with the increase of 101.77 per cent. The null hypothesis was framed as there is no significant difference in the value of machinery before and after getting loan and tested whether such increase was significant or not. It was found that the rate of growth in value of machineries was significant, at 5 per cent level. Hence the null hypothesis was rejected. Hence it could be concluded that the financial institutions loans are major source of capital/fund for SSI units to buy machineries for their manufacturing activities.

• The average values of vehicles of sample units increased from Rs. 774693.4 to Rs. 1661219.10 during the period between before and after availing loans from selected financial institutions in Karnataka. The rate of increase was found to be 114.44 per cent. To know whether this increase is significant or not, the researcher has framed hypothesis as there is no significant difference in the value of vehicles before and after getting loan and tested with the help
of ‘t’ test. The ‘t’ test shows as the increase the value of vehicles owned by SSI units in study area found to be statistically significant at 5 per cent level. Hence the null hypothesis is rejected and concluded that the bank loans helped the SSI units in Karnataka to own more vehicles for their business operations.

- The result of the test of significance revealed that the apparent increase in the value of the tools and equipment of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (3.26) is greater than its corresponding table value (1.96) at 5 percent level of significance. Therefore the null hypothesis is rejected, hence it may conclude that the financial support helped the sample units significantly to purchase of Tools and Equipments.

- The result of the test of significance revealed that the apparent increase in the value of the raw-material of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (4.69) is greater than its corresponding table value (1.96) at 5 percent level of significance. Therefore the null hypothesis is rejected; hence it may conclude that the financial support helped the sample units significantly to hold the required raw material.

- The result of the test of significance revealed that the noticeable increase in the value of the stock of finished goods of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (4.32) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected, hence it
concluded that due to financial institutions support, the value of the stock of finished goods of the study units has substantially increased.

- The result of the test of significance revealed that the apparent increase in the value of working capital of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (8.31) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutions support, the amount of working capital of the industry has substantially increased.

- The result of the test of significance revealed that the apparent increase in the value of production of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (2.71) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutions support, the value of production of the industry has substantially increased.

- The result of the test of significance revealed that the apparent increase in the value of sales of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (2.11) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutions support, the value of sales of the industry has substantially increased.
The result of the test of significance revealed that the apparent increase in the value of profit of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (4.78) is greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the institutions support, the value of profit of the industry has substantially increased.

Financial institutions have to follow a series of procedures before lending money to SSI units. The SSI units may not be completely satisfied with these procedures and services of financial institutions. An attempt has been made here to analyze the opinion of owners of the SSI units about the lending services of financial services. There are many factors which influence the overall opinion of owners of SSI units on lending services of the financial institutions. Using factor analysis it has found that in total five factors were extracted as opinion about the financial institutions financing to SSI units in the study area.

In the first factor the opinion variables of Financial institutions takes reasonable time in processing loan, The Financial institutions does not impose rigid rules and regulations in granting loans and Repayment schedules fixed are always realistic, Financial institutions does not show any favoritism in granting loans, Financial institutions is soft in recovery of loan’, and ‘The norms followed by Financial institutions in assisting working capital requirement are satisfactory are the factors which higher positive loadings on first factor. The above said variables with high loadings on factor 1 are characterized as soft and timely loan.
In the second factor consists of factors such as Margin money fixed by financial institutions for availing loan is reasonable, the SSI units are treated on par with agricultural sector, in granting loan, ‘Those who repay loans regularly are given preferential treatment in granting further loans, The financial institutions is closely located to the industrial unit, ‘Financial institutions displays all the information about the schemes benefiting customers on the notice board, and The Financial institutions sanctions credit for all government sponsored schemes are the factors with higher positive loadings in Factor2. All these six variables with high loadings on factor 2 are characterized as Preference to SSI units.

The significant loading statements under third factor are, Financial institutions considers the loan recommendations of DIC in respect of SSI units loans, The working capital loans sanctioned by financial institutions are adequate, Rate of interest charged by financial institutions is reasonable, ‘The Financial institutions demands only reasonable securities from the borrowers and The financial institutions are closely located to the industrial unit. These are the important factors with higher positive loadings on Factor 3. The above five variables with high loadings on factor 3 are characterized as Adequacy of Loan and Low Margin.

The statements The loan application is short and elicits only the information required for grant or loan, Financial institutions considers the positive role of SSI units in sanctioning of loan, Seed capital provided by the financial institution encourages many to start SSI units, The single window scheme adopted by the financial institution in sanctioning loan is useful to the borrower, and As the loans granted sufficient and there is no need of loan
from informal financial institutions are the factors with higher positive loadings on Factor 4. The above said five variables with high loadings on factor 4 are characterized as Simple and Realistic Loan Procedures.

- In the fifth factor The loan processing fee, inspection fee and other fees charged are reasonable, It is very easy to approach financial institutions officials while availing loans, and Legal formalities adopted by the financial institutions in sanctioning loan are simple to understand, have the higher factor loadings. As the above variables are relating to adequacy of loans factor 5 is characterized as Accessibility.

6.2 SUGGESTIONS

**Suggestion:** Following are some of the suggestions made by the researcher to make SSI units work still more vibrant in the present scenario in the economic development of the country

1. Ministry of MSME has a scheme for providing financial assistance for international trade activities: This scheme provides financial assistance towards airfare and space rent for entrepreneurs for participating in International exhibitions, trade fairs etc. As of now many entrepreneurs are not aware about availability of this facility. If awareness is created, it leads to better utilization of available facility and excel in the global market, as SSI units is able to produce international standard quality product at less cost of production compared to large scale industries.

2. Raw Material assistance scheme: This scheme is provided by NSIC. Benefit of such scheme is such that SSI units can get raw material at lesser price because NSIC purchases raw material in bulk.
To avail this facility apart from paying interest to NSIC for purchase of raw material on credit, SSI units has to furnish bank guarantee to NSIC. To avail bank guarantee following check list are to be satisfied.

a. Deposit up to 25% of Bank guarantee

b. Collateral security to bank

Apart from this, SSI units has to pay 3% charges on bank guarantee and rate of interest paid by the bank on deposit is very low – about 5 to 6%. If this condition are little modified by policy maker with respect to Bank and NSIC rules, this will solve major problems of working capital.

3. Effective Financial Management: In most of the cases SSI units are managed by technocrats who are excellent in technology but poor in financial management and appointing a Finance Manager is a costly affair to the SSI units in single. So researcher suggest SSI owner to make a common finance advisor for group of industries so that cost burden is reduced. This can be done by conglomeration.

4. Earnest money deposit: This facility is given by SSI units which are registered with NSIC. By availing this facility SSI units can participate in Government tenders without making initial deposit. If this is extended to even private tenders, it avoids blocking of cash to SSI units.

5. CGFS Scheme: Under this scheme upto to Rs. 1 crore funding can be availed by the SSI units from bank as per MSME Institution recommendation. Under business incubator facility without any collateral securities. In case of failure of such projects, then Government will refund such amount to the lending institution. But the scheme is not so very active because of not transparent guidelines to the lending institutions. The researcher would like to suggest to the
policy makers to make this scheme more proactive and provide transparent guidelines for lending institution and also provide sufficient knowledge and training to the staff of lending institution towards such scheme.

6. Availing facility provided under the Ministry of MSME: To make enable more awareness among SSI units about facilities available and the guidelines to avail such facility more and more seminars are to be conducted by MSME Institute.

7. Factoring services: Factoring service is provided for SSI units by MSMEs by various financial institutions along with other facilities and some of the institutions are providing this facility under separate division. This is nothing but continuous bill discounting. In other words it is nothing but outsourcing of receivable management. If checklist required by such financial institutions are little liberalized and the cost of such service is little lowered, it can give very good support in many aspects to the development of SSI units.

8. Credit Rating under PCR scheme: It is suggested to make little relaxation for SSI units in rating compared to large scale industries rating because it affect their borrowing capacity. This concession can be market driven.

9. Extension of RBI policy to private sector financial institutions: Public sector financial institutions earmarked certain percentage of their funds to SSI units according to RBI direction this made them to lend for SSI units more funds compared to private sector financial institution. If same guideline is extended to private financial institution it can accelerate the growth of SSI units.
10. Capital subsidiary support: For technology up-gradation, this is contributing substantially but it is given only for listed nomenclature products. It is suggested to extend this facility to the other products.

11. Funding support for security: Funding support to provide for security amount for extending credit to MFI/NGOs. This facility is very popular in rural areas but suggested to extend even to urban SSI units.

12. Funding support to adopt Corporate Governance: Funding support to MSME for adopting corporate Governance practice is as of now is extended to limited SSI units only due to lack of funds suggest to extend this facility so that many SSI units will get the benefit of Corporate Governance.

13. Interest Rate: As per finding it is felt that interest rate is higher in case of public sector financial institution compared to private sector financial institutions. The researcher suggest to policy maker to minimize the interest burden, it can also adopt labor rate atleast for certain lending.

14. Moratorium period: As per the finding, loan moratorium period is satisfactory in case of public sector financial institutions rather than private sector financial institutions it is suggested to make common moratorium period for both public sector and private sector financial institutions through RBI interference so that it will energize SSI units development.

15. Working capital financial limits: Working capital financial limits given by financial institutions is constant over a period of time. It is suggested to upgrade this limit by financial institutions considering inflation rate without demanding
for additional collateral securities. This can be done by looking into two or three year’s track records of the financial credentials of SSI units.

16. Extension of financial guarantor service for single huge orders: SSI units during the growth period they experience a small turnover per annum after clubbing all small payment. It so happens that further, during the course of time they usually come across a single big order worth more than previous entire year turn over. In such situation, the one who wish place such huge order will not have confidence to issue order because of financials. In such cases Financial institutions can come forward based on previous track record to help the SSI units to accept order and grow by acting as financial guarantor.

17. Lending at Labor rate: As SSI units is capable of producing international standard products at lesser cost than large industries b (excluding financial cost). To encourage SSI units to produce and sell product in international market, researcher suggest to lend for such projects at LIBOR rate (London International Bank Offered Rate)

18. Hedging charges: In case of export of goods to other countries SSI units is prone to a risk of cancellation of order due to international economy variation. Under such circumstances they lose huge amount towards hedging charges. It is suggested to modify /make little change of hedging charges in such circumstances.

19. Establishment of separate stock exchange for Small Scale units under the Ministry of MSME: The Ministry of MSME with the guidelines of SEBI can establish a separate stock exchange only to SSI units and permit SSI units to issue securities only to the financial institution, it can be up-gradation venture
capital and policy makers can insist on financial institution to ear mark certain funds to be invest in such securities of SSI units.

20. Support from mutual funds: SEBI can direct mutual funds to ear mark at least little portion of their investment in SSI units.

21. Offset Trading by Government with respect to defence Projects: It is suggested under offset trading by Government to divert defence project offsetting for SSI units so that the sickness of SSI units due to lack of demand for the product can be prevented.

22. Assistance to Association Members: from the data collection time it is understood that the SSI units which are the member in KASSIA are getting more financial assistance, hence the researcher suggesting to the SSI units to get membership in the KASSIA, which is help them to get financial support from formal financial assistance, marketing knowledge and other technical knowledge which is most important for SSI units.

23. Terms and Conditions for Loan: from the study it found that the formal financial institutions having very stiff terms and conditions for availing loan by the SSI units, hence the researcher suggesting to the financial institutions and other policy makers to make suitable changes which is favour to the SSI units with regard to loan.

24. Small Scale Units Perception towards Financial assistance: the analysis of SSI owners perception towards financial institutions loan assistance showing that financial institutions provides ‘timely loan to the SSI units’ is the main factor followed by ‘preference to SSI units’, ‘adequacy of loan’, ‘simple and realistic loan’, and easy borrowings are the factors were extracted as second, third, fourth and fifth factor respectively. Hence the researcher suggesting that financial
institutions should provide timely and adequate loan the SSI units and the policy makers also should ensure this by framing suitable policy.

6.3. CONCLUSION

Small scale industries play a vital role in the healthy economic condition of any country. Hence the Government, financial institutions both commercial banks and non-banking financial institutions and other stake holders should come forward towards development of SSI units to promote a sustainable economic condition of the country. The present study has brought out various aspect of financing to SSI units and its impact on their performance with type of organization and investment wise, SSI units owners opinion towards financing of financial institutions and obstacles on availing loan from financial institutions. The suggestions made in the study are of immense use for policy makers to make appropriate decisions to remove the barriers towards a financing to SSI units in the study area.

6.4. SCOPE FOR FURTHER STUDY

Any research study can explore only a limited field of knowledge. There are many aspects that need to be researched further. In the present case there is considerable scope for the further research. In spite of every attempt to make this study more intensive, there are quite many fields remained unveiled owing to constraints of time and resources. Financing to Small Scale Industries study has numerous dimensions and in each dimension has got scope for an extensive study.
Further research may be undertaken in the following areas

- The present study concerned only with Karnataka State such kind of study could be undertaken at micro level.

- A considerable scope for further research also exists in the area of SSI units industry Financial Management.

- How the Globalization has affect the financing to SSI units and their performance.

- There is a scope for study about the outcome of financing to SSI units in respect of financial institutions.