Original Research Paper Commerce

A Study on Impact of Institutional Finance on Performance of Small Scale Industries in Karnataka State

Dr. SP Mathiraj	Associate Professor, Department of Corporate Secretaryship, Alagappa University, Karaikudi, TN.
Smt. K. Shashikala	Research Scholar, Department of Commerce, Alagappa University, Karaikudi, TN.

KEYWORDS

Small is beautiful, so also small scale industries. It is a significant segment of Indian economy (Seema S Waghela, 2013). 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 (Bhattia and GS Batra, 2007). In addition, they include such socio economic goals as the decentralization and disbursable of any manufacturing activities from metropolitan to urban, semi-urban 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 higher than large scale industries (George Mathew, 2010). 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 an effective instrument for achieving a wide disbursal industrialization (Adhinarayanan (2014). 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 long longer fighting local battle but global war (Mahesh Shankarrao Halale, 2011). 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. In India now a days financial institutions and particularly banking companies provides enough amount of financial support to the SSI units for development of economic condition of the country. Further SSI units also make using of these facility for accelerating business operation value of assets and improve the performance. This study aims at throwing light on impact of financial institutions loan to SSI units on performance of SSI units. Further if SSI units not make use of these financial facility from financial institutions due to lack of financial management knowledge their growth may be lesser and even it affect the asset value adversely. Due to this reason, the need is felt for the study of the impact of financing by financial institutions on respondent study units in Karnataka state.

Methodology

The present is a regional study jacketed the Karnataka state. The Karnataka state is one of the industrially forwarded states in India and also the growth of SSI units is fast comparing to other states of the country. Karnataka is a sixth largest state in India with an area of 1.92 lakh square kilometers, further Karnataka is blessed with ample natural resources like forest, water-falls and minerals. From the ancient years the Karnataka is well known for its trade with other states of the country and even to other countries with well supported by its MSMEs. Further the Karnataka state is pioneer for many economic planning and development since in the state the planning system was existed even before any state in India with the thought of industrialization, communication, electrification and financial system in rural area.

Further the study cover SSI units which are in the organized sector and are registered in the formal system. This study has macro level, the study examines the impact of financial institutions financing. The researcher collected the data required for carrying out the present study in two stages. In the first stage, the personal and business related data of sample units, and performance of the sample units, financing structure are collected among the selected sample SSI units respondents with the help of the questionnaire specially designed for this purpose. During the second stage of data collection, the researcher collects the secondary data related to the study such as the concepts relating to SSI units financing, various credit schemes available to the SSI units in India and particularly Karnataka state, further amount financed to SSI units by the public and private sector financial institutions etc., from various published and unpublished records, reports, books, magazines, websites etc.

The purposive sampling method is employed to select 429 small scale industrial respondents, from Karnataka state. Initially the researcher collected data relating to SSI units members from Small scale Industries Associations located in Karnataka state. In total 1607 small scale industries were registered in various small scale industries association, out of it 482 Small scale industries were selected for the study and the questionnaire is personally administers the sample of 482 SSI units respondents in Karnataka. After repeated follow ups only 456 questionnaires could be received, out of which 27 questionnaires were rejected on account of incompletion. Finally 429 completed questionnaires are selected for the present study. Hence these 429 respondents are considered as sample for the study. Even though the present study is related to the SSI units alone, the researcher has also taken into consideration micro and medium size industries also because in recent times all the financial institutions provides data comprehensively relating to the financing to them. A survey method is employed and a structured questionnaire is developed to measure demographic variables like age of the concern, production capacity, mean value capacity, and impact of these credit on their performance etc. Both open-ended and close-ended questions are employed for eliciting desired information from respondents. The present study comprises a sample from the Karnataka state in India. It tries to examine the impact of institutions financing on the small scale industries development. Karnataka is one the top five states which is having more SSI units and further in this state more number of SSI units. Sick units are found in fourth census of India. There is nothing wrong in assuming that the state with considerably good literacy rate is well aware of entrepreneurial activities and its impact to the economic race. For offering suitable suggestions to the various stakeholders, the researcher has done various analyses and tested with suitable hypotheses which are framed based on the previous studies in the similar domain. Thus the hypothesis is formulated as 'There is no significant difference in impact of financial institutions financing on the growth of SSI units'.

Further the impact is studied by analysing the quantitative change in the selected variables of the respondents units before and after receiving financial assistance from selected financial institutions.

Measurement of Selected Variables

Twelve financial variables were selected and analysed for measuring impact of selected financial institutions finance on the performance of selected SSI units in Karnataka. The value of these selected assets and other variable has been collected from respondents. As per respondents' response the value of selected variables has been taken and find it the average value of these variables before and after getting loan has been found and that value has been used for further analysis. The effective quantitative change in each variables before and after getting support from institutions was analyzed with the help of framed hypotheses, which were duly tested by using 't' statistics. 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.

Result & Discussion:

Table-1: Impact of institutional finance on performance of small scale industries in Karnataka State

Variable	Period	Average Value of Land	Percentage of Increase/ Decrease	't' Value
Land	Before getting Loan	756380.0	-	-
	After getting loan	1375368.0	81.84	7.933*
Building	Before getting Loan	1329320.0	-	-
	After getting loan	3645920.0	174.27	12.12*
Machinery	Before getting Loan	298748.0	-	-
	After getting loan	602784.0	101.77	8.46*
Vehicles	Before getting Loan	774693.4	-	-
	After getting loan	1661219.1	114.44	2.69*
Furniture	Before getting Loan	386298.0	-	-
	After getting loan	792540.94	105.16	13.71*
Tools & Equipment	Before getting Loan	231586.05	-	-
	After getting loan	350294.18	51.26	3.26*
Raw Material	Before getting Loan	1216895.0	-	-
	After getting loan	1995565.0	63.99	4.69*
Value of finished goods	Before getting Loan	1641985.0	-	-
	After getting loan	2519565.0	53.45	4.32*
Working Capital	Before getting Loan	1875246.0	-	-
	After getting loan	2508471.2	33.77	8.31*
Value of Production	Before getting Loan	2564135.0	-	-
	After getting loan	3204817.8	24.99	2.71*
Value of Sales	Before getting Loan	3724315.0	-	-
	After getting loan	4102847.5	10.16	2.11*
Value of Profit	Before getting Loan	364325.0	-	-
	After getting loan	505383.6	38.72	4.78*

Source: Computed value from primary data
*** significant @ 5% level**

It is clear from Table 1 that before getting support, the average value of selected variables of selected SSI units had been increased after getting financial support from the financial institutions. Further the Table clearly showing that the value of selected variables is increased as, land at the rate of 81.4 per cent, Building 174.27 per cent, Machinery 101.77 per cent, Vehicles 114.44 per cent, furniture 105.16 percent, tools & equipment 51.26 per cent, raw material 63.99 per cent, value of finished good 53.45 percent, working capital by 33.77 per cent, value of production by 24.99 percent, value of sales by 10.16 per cent and value of profit by 38.72 percent. The following null hypothesis was framed in order to find out whether such manifest increase in the value of selected variables of the SSI units is statistically significant or not. The result of the test of significance revealed that the apparent increase in the value of selected variables of the SSI units after getting support compared to that one before getting support is statistically significant as the calculated 't' values are greater than its corresponding table value (1.96) at 5 per cent level. Therefore the null hypothesis is rejected. Hence it is concluded that due to the support from institutions, the value of selected variables of the SSI units has substantially increased.

Summary & Conclusion: From the study it can understood that the SSI units mostly using the financial support from financial institutions for creation of assets only, in the study area SSI industries assets like land, building, machinery, vehicles and furniture values has increased almost two times however the value of operational assets like raw material, tools and equipment, finished goods, working capital, production and sales is increased only around 50 per cent only. It shows that loan amount mostly using for fixed assets creation rather than operational improvement. But interestingly the profit amount has increased around 39 per cent after availing loan from the financial institutions.

Reference:

1. Seema S Waghela, (2013), 'A Study of Problems of Women Employees in Selected Small Scale Industrial Units with Special Reference to Kalyan-Dombivali MIDC Area in Thane District', unpublished thesis submitted to SNDT Women's university.
2. BS Bhattia and GS Batra (2007), 'Entrepreneurship and Small Business Management', Deep & Deep Publication Limited, New Delhi, P-179.
3. George Mathew (2010), SSI units in open Economy context: The Kerala Scenario – with a comparative analysis of data from Kerala & Karnataka, unpublished PhD thesis submitted to Economics Research Centre, Marthoma College.
4. Adhinarayanan (2014), 'An evaluation of the problems and prospects of small scale entrepreneurship in an emerging economy: A study of selected industries in Tamil Nadu districts' Unpublished PhD Thesis submitted to Anna university, Chennai.
5. Mahesh Shankarrao Halale, (2011), 'Study of Growth Pattern of Small and Medium Enterprises to Medium and Large Enterprises with Reference to Industrial Units Located in Pune District- A Management Control Perspective', Un published PhD thesis submitted to University of Pune, Pune.
6. www.msme.gov.in
7. www.smallindustry.com
8. www.ijecbs.com
9. www.ijmds.com
10. www.ijirs.com
11. www.dicnkl@msn.com
12. www.nsic.co.in
13. www.karnataka.gov.in
14. www.kassia.com
15. www.india.gov.in