

## Role of State Bank of India in the Economic Development of Hubli-Dharwar Twin Cities – Case Study

**Abstract:** Banking sector plays very important role in economic development. Economic development is a process of upward change, whereby the real per capita income of a country increases over a long period of time through growth and development of business enterprises. In short economic development is a process to increase the real or per capital income of the country involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. So Banking serve as catalysts (ie Agent) in the process of industrialization and economic growth and innovations plays a key role in economic development.

Money is the greatest invention of man and is the pivot around which the whole economic science rotates. It as acquired so much importance that the modern economy is described as money economy. At present we cannot think of an economy without money because an economy without money cannot function as effectively, efficiently and smoothly as a money economy. Money has overcome all the difficulties of barter: it has made possible tremendous saving of time and trouble in marshalling of productive facilities and in the distribution of the output of industry to final consumers. It has broghtabout rapid economic progress by facilitating specialisation and division of labour, technological progress, large scale production of goods and extension of arious forms of business and financial organisation Thus, money has been serving the various needs of man. With the passage of time, its forms and functions have changed to a great extent. Before we discuss the forms and functions of money, let us discuss the condition of exchange that were existing before the introduction of money and banking.

**Keywords:** global economic, Money value, Industries, free market economy, business ethics, multinational corporations, social responsibility.

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### I. Introduction

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Money lending in one form or the other has evolved along with the history of mankind. Even in the ancient times there are references to the moneylenders. Shakespeare also referred to “Shylocks” who made unreasonable demands in case the loans were not repaid in time along with interest. Indian history is also replete with the instances referring to indigenous money lending “sahukars” and “zamindars” involved in the business of money lending by mortgaging the land and property of the borrowers.

Towards the beginning of the 20th century with the onset of modern industry in the country, the need for the government regulated banking system was felt. And therefore, immediately after independence, many new commercial banks came up in various parts of the country.

A commercial bank is a type of financial intermediary and a type of bank. It is also known as business banking. It is a bank that provides checking accounts, saving accounts and that accepts time deposits.

Commercial banks engage in recreation an significant part in the development of Economic growth of developing country. Development of economic involve savings in a range of sector of the development of economy. The financial institutions mobilize investments from the common people and mobilize investments for investments in manufacturing project. Besides standard financial achieve organization services for the clients. The financial institutions purchase and sell shares, formulate rental fee expenditure, obtain contribution money and accumulate value finances for the administration departments. Consequently these financial institutions investment time and power of community who are demanding.

It has broghtabout rapid economic progress by facilitating specialisation and division of labour, technological progress, large scale production of goods and extension of arious forms of business and financial organisation Thus, money has been serving the various needs of man. With the passage of time, its forms and functions have changed to a great extent. Before we discuss the forms and functions of money, let us discuss the condition of exchange that were existing before the introduction of money and banking.

Even establishment of Banks and financial institutions plays a prime role in the pace of economic development of a country. Thus banks are key to the creation of Business and Industries. They play a vital role for the economic development of the country in the following ways.

- Augmenting the meeting local demand.
- Formation of capital
- Balanced Regional development
- Generates Employment opportunities
- Improvement of per capital income
- Improving of standard of living
- National Self-reliance
- Planning production of money market
- Backward and forward linkages
- Dispersal by Economic power.
- Technology in banking industry
- Create competitive market in Business or industrial segments.
- Involvement in social welfare.
- Increasing in productivity.

The responsibility of profit-making banks in the trade and industry expansion of a nation can be explained as follows:

1. Bank encourage investment development:-
  - a) Nationalized financial banks acknowledge deposit from persons and business, these investments are ready accessible to the business which formulate exploit of them for industrious function in the nation.
  - b) The financial institutions are, consequently not merely the storeroom of the countries prosperity, and also make available monetary income necessary for trade and industry improvement.
2. Deposit in innovative enterprise:-
  - a) Industrialist in general vacillate to spend their funds in dangerous enterprise. The profitable banks normally provide small and intermediate period loans to business man to devote in original enterprise and accept new methods of production.
  - b) The stipulation of appropriate recognition increase the industrious capability of the financial system.
3. Promotion of trade and industry:-
  - a) With the growth of commercial banking, there is vast expansion in trade and industry.
  - b) The use of bank drafts, cheques, bills of exchange, credit cards and letter of credit etc. has revolutionized both national and international trade.
4. Development of agriculture:-
  - a) The commercial banks particularly in developing countries are now providing credit for developing agriculture and small scale industries in rural areas.
  - b) The provision of credit to agriculture sector has greatly helped in raising agriculture productivity and income of the farmers.
5. Balanced development of different regions:-
  - a) The commercial banks play an important role in achieving balanced development in different regions of the country.
  - b) They help in transferring surplus capital from developed regions to less developed regions.
  - c) The traders, industrialists etc. of less developed regions are able to get adequate capital for meeting their business needs.
  - d) This in turn increases investment, trade and production in the economy.
6. Influencing economic activities:-
  - a) the commercial banks can also influence the economic activity of the country through its influence on:
    - (i) Availability of credit.
    - (ii) Rate of interest.
  - b) A low rate of investment can encourage investment.
  - c) The credit creation activity can raise aggregate demand which leads to more production in the economy.
7. Implementation of monetary policy:-
  - a) The central bank of the country controls and regulates volume of credit through the active co-operation of the banking system of the country.
  - b) It helps in bringing price stability and promotes economic growth within the shortest period of time.
8. Monetization of the economy:-
  - a) The commercial banks by opening branches in the rural and backward areas are reducing the exchange of goods through barter.

- b) The use of money has greatly increased the volume of production of goods.
- c) The non-monetized (barter economy) is now been converted into monetized sector with the help of commercial banks.

9. Export promotion cells:-

- a) In order to increase the export of the country, the commercial banks have established the export promotion cells.
- b) They provide the information about general trade and economic conditions both outside and inside the country to its customers.

### **NEED FOR THE PRESENT STUDY**

At the time of nationalization the socio-economic objectives were explicitly laid down and the banks were asked to contribute to the maximum possible extend towards economic and social development of the country. It was realized that the traditional banking ethics were not compatible with the needs of economic development and that balanced development was not possible without strengthening the hold of commercial banks in the backward and neglected areas. Various developments taking place in Indian economy are influencing Indian banking in a major way. The major contributors towards the economic development is banking sector by way of financing major projects like construction of building, laying down roads, etc. as well as major projects like providing finance to small scale industries, partnership firms, cottage industries, poor artisans, etc. State bank of India being a leading public sector bank also initiated a number of measures to respond to the changes taking place in the economy and banking. Launching of various services in it self is no business objective; successful positioning and resultant positive response from the consumers determine the extent of success of the services that ultimately leads to economic development. Because the role of commercial banks in the economic development involves a great amount of invisible delivery, monitoring and further planning to improve them became a very challenging task. Examination and analysis of various aspects of this challenging task, therefore is an important exercise, which this study attempts to undertake. The following points clearly point out the importance of money even in socialist economy.

1. Money and Banking is Essential as medium of Exchange and payments:
2. Money and banking is Essential to Guide Economic Activity.
3. Money banking is required for Allocation of Resources in Different Lines of production.
4. Money and banking is Essential distribution of Income.
5. Banking activities basically required for overall development of Economy.
6. Forward countries are fully depend on Banking and flow of Money.

It is argued that money is quite essential whether in a capitalist economy or in a socialist economy to guide economic activity. One of the eminent authorities of socialism, Oscar Lange, has expressed that price mechanism helps one to understand the pricing process that decisions can be taken as to what should be produced and in what quantities. But the pricing process has not meaning unless prices are expressed in terms of money and banking. Since the resources available are limited the planning authority cannot order the production of all goods in unlimited quantities. The necessitates the use of a pricing process by means of which it is possible to compare the usefulness of the available resources in different fields of employment. The blue prints produced by the officers must demonstrate their economic expediency through commercial calculation. without a firm monetary Policy.

### **STATEMENT OF THE PROBLEM**

The state bank of India the countries oldest bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of change and transformation. The two hundred year old public sector behemoth is today stirring out of its public sector legacy and moving with an ability to give the private and foreign banks a run for their money. The bank is entering into many new businesses with strategic tie-ups like pension funds, general insurance, custodial services, private equity, mobile banking, point of sale merchant acquisition, advisory services, structured products etc. each one of these has a huge potential for growth. The bank is forging ahead with cutting edge technology and innovative new banking models, to expand its rural banking base, looking at the vast untapped potential in the hinterland and proposes to cover 1, 00,000 villages in the next two years. Today the bank is the largest provider of infrastructure debts and the largest arranger of external commercial borrowings in the country. It is the only Indian bank to feature in the fortune 500 list. Taking all these aspects into account, the topic of this study “Role of state bank of India in the economic development of Hubli-Dharwad twin cities” assume a special significance to know the impact of all these measures in the economic development of the twin cities.

### **DIFECTS OF MONEY AND BANKING:**

- Instability of Value of Money and Banking.
- Inequality of Income.
- Corruption and Anti-social Activity

Though money plays a very significant role in a capitalist economy as well as in a socialist economy, it cannot be the root-cause of all economic progress. Money is only an instrument by which economic progress can be achieved but it is not the controlling instrument. Economic progress is the result of inventions and innovations, development of transport and communication, development of science and technology and so on.. But it should be noted that all these would be impossible without the use of money.

Money is a source of many blessings if it is wisely managed and controlled but it becomes a source of danger when it is mismanaged. Writers like Marx pointed out that money and banking is the source of all evils and therefore it should be abolished altogether.

### **OBJECTIVES OF THE STUDY**

1. To study the various measures adopted by S.B.I for the economic development.
2. To analyse the impact of these measures on the beneficiaries in particular.
3. To assess the overall situation of industrial development of Dharwad district.
4. To study resources position available in the district for further growth of the region.

### **COMMERCIAL BANK AND CREDIT CREATION FOR ECONOMIC DEVELOPMENT:**

Creation of credit is an outstanding function of commercial banks. They are therefore called not merely purveyors of money but also manufacturers of money. This function has a greater economic significance because it is this function which can stimulate or contract economic activity in the country.

Bank deposits arise in two ways. When cash is deposited by customer in a bank the bank credits the account of the customer and deposit is created in the bank such deposit is known as primary deposits.. Such deposits do not increase the total supply of money since there is only a transfer of money from the customer to his bank.

Deposits also arise when customers are granted loans and advances by a bank. Such deposits are known as very notes or coins bank when he wants. It is generally understood that cash deposits received by the bank are meant for being advanced to others. and further the characteristics of a developed and underdeveloped money market as follows.

- Highly organised commercial banking system.
- Presence and efficient control of the central bank.
- Availability of proper credit instruments.
- Existence of a number of sub-market.
- Availability of ample resources.
- Political stability and development.
- Other characteristics.

### **STATE BANK OF INDIA**

The origin of the State Bank of India goes back to the first decade of the 19th century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921.

Primarily Anglo-Indian creations, the three presidency banks came into existence either as a result of the compulsions of imperial finance or by the felt needs of local European commerce and were not imposed from outside in an arbitrary manner to modernise India's economy. Their evolution was, however, shaped by ideas culled from similar developments in Europe and England, and was influenced by changes occurring in the structure of both the local trading environment and those in the relations of the Indian economy to the economy of Europe and the global economic framework.

### **FUNDING NATIONAL DEVELOPMENT IN THE 20TH CENTURY**

The rapid growth of the presidency banks came to an abrupt halt in 1876, when a new piece of legislation, the Presidency Banks Act, placed all three banks under a common charter—and a common set of restrictions. As part of the legislation, the British imperial government gave up its ownership stakes in the banks, although they continued to provide a number of services to the government, and retained some of the government's treasury capital. The majority of that, however, was transferred to the three newly created Reserve Treasuries, located in Calcutta, Bombay, and Madras. The Reserve Treasuries continued to lend capital to the

presidency banks, but on a more restrictive basis. The minimum balance now guaranteed under the Presidency Banks Act was applicable only to the banks' central offices. With branch offices no longer guaranteed a minimum balance backed by government funds, the banks ended development of their networks. Only the Bank of Madras continued to grow for some time, supplied as it was by the influx of capital from development of trade among the region's port cities.

The loss of the government-backed balances was soon compensated by India's rapid economic development at the end of the 19th century. The building of a national railroad network launched the country into a new era, seeing the rise of cash-crop farming, a mining industry, and widespread industrial development. The three presidency banks took active roles in financing this development. The banks also extended their range of services and operations, although for the time being was excluded from the foreign exchange market. By the beginning of the 20th century, India's banking industry boasted a host of new arrivals, and particularly foreign banks authorized to exchange currency. The growth of the banking sector, and the development of indigenous banks, in turn created a need for a larger "bankers' bank." At the same time, the Indian government had outgrown its colonial background and now required a more centralized banking institution. These factors led to the decision to merge the three presidency banks into a new, single and centralized banking institution, the Imperial Bank of India.

Created in 1921, the Imperial Bank of India appeared to inaugurate a new era in India's history—culminating in its declaration of independence from the British Empire. The Imperial Bank took on the role of central bank for the Indian government, while acting as a bankers' bank for the growing Indian banking sector. At the same time, the Imperial Bank, which, despite its role in the government financial structure remained independent of the government, carried on its own commercial banking operations.

#### **Key Dates:**

1806: The Bank of Calcutta is established as the first Western-type bank.

1809: The bank receives a charter from the imperial government and changes its name to Bank of Bengal.

1840: A sister bank, Bank of Bombay, is formed.

1843: Another sister bank is formed: Bank of Madras, which, together with Bank of Bengal and Bank of Bombay become known as the presidency banks, which had the right to issue currency in their regions.

1861: The Presidency Banks Act takes away currency issuing privileges but offers incentives to begin rapid expansion, and the three banks open nearly 50 branches among them by the mid-1870s.

1876: The creation of Central Treasuries ends the expansion phase of the presidency banks.

1921: The presidency banks are merged to form a single entity, Imperial Bank of India.

1955: The nationalization of Imperial Bank of India results in the formation of the State Bank of India, which then becomes a primary factor behind the country's industrial, agricultural, and rural development.

1969: The Indian government establishes a monopoly over the banking sector.

1972: SBI begins offering merchant banking services.

1986: SBI Capital Markets is created.

1995: SBI Commercial and International Bank Ltd. are launched as part of SBI's stepped-up international banking operations.

1998: SBI launches credit cards in partnership with GE Capital.

2002: SBI networks 3,000 branches in a massive technology implementation.

2004: A networking effort reaches 4,000 branches.

In 1926, a government commission recommended the creation of a true central bank. While some proposed converting the Imperial Bank into a central banking organization for the country, the commission rejected this idea and instead recommended that the Imperial Bank be transformed into a purely commercial banking institution. The government took up the commission's recommendations, drafting a new bill in 1927. Passage of the new legislation did not occur until 1935, however, with the creation of the Reserve Bank of India. That bank took over all central banking functions.

The Imperial Bank then converted to full commercial status, which accordingly allowed it to enter a number of banking areas, such as currency exchange and trustee and estate management, from which it had previously been restricted. Despite the loss of its role as a government banking office, the Imperial Bank continued to provide banking services to the Reserve Bank, particularly in areas where the Reserve Bank had not yet established offices. At the same time, the Imperial Bank retained its position as a bankers' bank.

Into the early 1950s, the Imperial Bank grew steadily, dominating the Indian commercial banking industry. The bank continued to build up its assets and capital base, and also entered a new phase of national expansion. By the middle of the 1950s, the Imperial Bank operated more than 170 branch offices, as well as 200 sub-offices. Yet the bank, like most of the colonial government, focused primarily on the country's urban regions.

By then, India had achieved its independence from Britain. In 1951, the new government launched its first Five Year Plan, targeting in particular the development of the country's rural areas. The lack of a banking

infrastructure in these regions led the government to develop a state-owned banking entity to fill the gap. As part of that process, the Imperial Bank was nationalized and then integrated with other existing government-owned banking components. The result was the creation of the State Bank of India, or SBI, in 1955.

The new state-owned bank now controlled more than one-fifth of India's total banking industry. That position was expanded at the end of the decade, when new legislation was passed providing for the takeover by the State Bank of eight regionally based, government-controlled banks. As such the Banks of Bikaner, Jaipur, Idnore, Mysore, Patiala, Hyderabad, Saurashtra, and Travancore became subsidiaries of the State Bank. Following the 1963 merger of the Bikaner and Jaipur banks, their seven remaining subsidiaries were converted into associate banks.

it has been unsuccessful in making a place for itself in the industrial map of India. These SSIs would be able to perform better in the presence of better government policies coupled with anchor industries.

At present, Hubli-Dharwad SSIs generate a turnover of Rs 100 crore per day. However, businessmen in the region believe that they have the potential to prove themselves if given a conducive environment for growth

The industrial units in the second largest conurbation in Karnataka are going through a difficult time due to the apathy of policy makers as well as implementing authorities.

## **II. Products and Services**

### **PERSONAL BANKING**

- SBI Term Deposits SBI Loan For Pensioners
- SBI Recurring Deposits Loan Against Mortgage Of Property
- SBI Housing Loan Loan Against Shares & Debentures
- SBI Car Loan Rent Plus Scheme
- SBI Educational Loan Medi-Plus Scheme

### **OTHER SERVICES**

- Agriculture/Rural Banking
- NRI Services
- ATM Services
- Demat Services
- Corporate Banking
- Internet Banking
- Mobile Banking
- International Banking
- Safe Deposit Locker
- RBIEFT
- E-Pay
- E-Rail
- SBI VishwaYatra Foreign Travel Card
- Broking Services

### **VISION STATEMENT:**

- Premier Indian financial service group with prospective world class standards of efficiency and professionalism and institutional values
- Retain its position in the country as pioneers in development banking.
- Maximize the shareholders value through high sustained earnings per share
- An institution with cultural, mutual care and commitment, satisfying, and
- Good work environment and continues learning opportunities.

### **VALUES:**

- Excellence in customer service
- Profit orientation
- Belonging commitment to bank
- Fairness in all dealings and relations
- Risk taking and innovative
- Team playing
- Learning and renewal
- Integrity
- Transparency and discipline in policies and systems.

**SLOGAN:**

□ Slogans are:

- 1) With you all the way
- 2) Pure banking nothing else
- 3) The Banker to every Indian.
- 4) The Nation banks on.

**LIST OF SBI BRANCHES IN HUBLI**

State Bank Of India BHANDIWAD BASE, HUBLI  
State Bank Of India CCPC HUBLI KESHWAPUR  
State Bank Of India COMMERCIAL BRANCH HUBLI  
State Bank Of India GOKUL INDUSTRIAL EST HUBLI  
State Bank Of India HIREPETH HUBLI HUBLI  
State Bank Of India HUBLI HUBLI  
State Bank Of India HUBLI-DHARWAD GOVERNMENT.E HUBLI  
State Bank Of India KOPPIKAR ROAD HUBLI  
State Bank Of India LAW UNIVERSITY CAMPUS HUBLI  
State Bank Of India M K HUBLI BELGAUM  
State Bank Of India MADHURA COLONY HUBLI  
State Bank Of India MARKET BRANCH HUBLI  
State Bank Of India NAVNAGAR HUBLI NAVANAGAR  
State Bank Of India OLD HUBLI HUBLI OLD  
State Bank Of India PBB HUBLI  
State Bank Of India RA & SME CC HUBLI  
State Bank Of India RAJNAGAR HUBLI  
State Bank Of India SERVICE BRANCH HUBLI  
State Bank Of India YELLAPUR YELLAPUR  
State Bank Of India ZONAL OFFICE - HUBLI

**LIST OF SBI BRANCHES IN DHARWAD**

- State Bank Of India - NAVALGUND AGR. DEVP.DWD.
- State Bank Of India –DHARWAD COLLEGE RD
- State Bank Of India - KARNATAKA UNIVERSITY
- State Bank Of India - SIDDHARUDHA NAGAR,
- State Bank Of India - INDUSTRIAL ESTATE,GOKUL
- State Bank Of India - UNIV OF AG SC CAMPUS
- State Bank Of India - HOSAVELLAPUR DHARWAD
- State Bank Of India –BELUR INDUSTRIAL EST.
- State Bank Of India - KALGHATAGI
- State Bank Of India – KUNDAGOL
- State Bank Of India – GANDHINAGA

**DEVELOPMENT OF INDUSTRIAL AREA AND INDUSTRIAL ESTATES IN DHARWAD DISTRICT**

Unplanned concentration of industrial activity brings in its terrain various Social and economic disadvantages. Planned scientific locations can alone help to maximize profits with minimum efforts.

Industrial location as a systematic discipline, however, was first studied that the distribution of an industry between regions is largely the resultant of two factors viz. transport cost and labour cost. The transport cost will have to be incurred by an industry in respect of raw materials, fuels and market, since these are not available at one place. The industry has to choose its location in such a way that its total transport cost will be minimum. The relative influence of material and market in the development of industries depend upon the nature of the material as well as their transportation into products.

The definition of industrial estates or area is thought with various semantic problems. According to William Brido...an industrial estate is a track of land which is sub-divided and developed according to a comprehensive plan for the use of a community of industrial enterprises. The plan must make a detail provision for streets and roads, transportation facilities and the installation of utilities. It may provide for the creation of factory building in advance of sale or lease to occupants.

There are other external economies, if a number of units are located in a planned industrial estate, such as the ability of common facilities like a repair workshop, a testing laboratory etc.

They offer a ready made sheds on a rental base enable a small entrepreneur to keep down his initial capital investment to the minimum

The process of setting up an industrial unit is expedited become individual entrepreneur are unable to avoid the delays and vexatious procedure involved in complying the location of factory sheds and in obtaining infrastructural facilities. In fact, the offer of readymade sheds to prospective entrepreneurs expedites the setting up of industrial units by 3-4 years.

A rapid growth of industrial units is made possible by the fostering of complementary relationship among them. For example, some units may obtain raw material and semi-finished goods as inputs from other units the same estate, or offload a part of the production to ancillary units in the same area.

In the opinion of P.C.Alexander, an industrial estate is ..... A group of factories constructed on economic sale in suitable cities with special arrangements for technical guidance and common service facilities. The estate combines in itself some of important schemes of assistance to small industries and provides a total outlay of integrated developments.

The advantages with industrial estate offer for development of industries, particularly in the small scale sector, are fairly obvious and have been briefly summarized as below:

1. An industrial estate offers to new units of land and sheds at reasonable cost. This facility is particularly important in rapidly growing urban areas where land may be costly or otherwise not available.
2. There are economics in the provision of such infrastructural facilities as power and transport to cluster of units.

The industrial estate programme was launched in India in 1955; following the recommendations of the industrial planning team (Ford Foundation). The objectives of the programme were two-fold.

- a. To promote a rapid development of small industries and
- b. To promote decentralization and dispersal of industry to relieve cities of congestion and promote industries in rural, semi-urban and backward areas.

In India four types of industrial estate have been developed.

1. Industrial estate based on the type of industrial activity,
2. Industrial estate based on sponsorship
3. Industrial estate based on location and
4. Co-operative industrial estate

In Dharwad district only two types of estates have been developed i.e. estates based on the industrial activities and estates based on location.

In Dharwad district there are six industrial estates. The estates are established at Hubli-Dharwad and two estates in Navalgund and Nargund.

#### □ GOKUL INDUSTRIAL ESTATE:

It was established in 1958. It consists of 120 acres and 5 gunthas which were originally purchased by state government for the establishment of industrial estate and after development of this area; developed plot allotted to needy and faceable entrepreneurs at 99% cost soon after allotment. They are required to pay 90% of cost before taking possession. In the allotted plot he has to make construction and start the industry within a year of lease period. At the end of 10th year the industrialist has to satisfy the terms and conditions of the allotment. Sale deed will be executed in respect of such allottees who have fulfilled the terms and conditions of the allotment.

There are many types of industries operating in this estate i.e. engineering workshops, steel and aluminum re-rolling mills, forging plants, optical units, textile units, cement articles, leather goods, fabricating units, chemical products, capacitors, electronic items, centrifugal pumps, rubber goods, electric motors, plastic articles, etc. Today there are 525 different types of units working in this estate with annual production worth of Rs. 200 crores employing over 8000 workers.

The estate has provided common facilities center (store department for raw material) which is owned by Karnataka state government. Small-scale industries development co-operation Ltd. has been managing raw material department in the district for the distribution of raw material only for the sake of convenience of small industrialist in Dharwad district from this department such as iron and steel, structural material, pig iron, coal-coke, paraffin wax, petrol pump products, industrial, rubber industrial lubricant and titanium dioxide. These raw materials are procured and supplied at controlled/reasonable price, credit facilities are also extended to needy units on merits against security.

#### □ BELUR INDUSTRIAL AREA:

As per the policy of the government of India, to accelerate the industrial growth, "growth centers" have been identified all over India. In Karnataka three growth centers have been identified i.e. Hasan, Dharwad, and



Raichur. In Dharwad district land has been acquired at Belur village which is at a distance of 12 kms from Dharwad city towards Belgaum on N.H.4. The growth center ensures all infrastructural facilities like water, power, telecommunication, banking, post office, housing colony, schools and hospitals. At present 1312 acres have been developed providing full infrastructural facilities. Out of the 1312 acres acquired for formation of growth center, it is almost completed making provisions for different zones like chemical, textile, general engineering, electronics, and also provision is made for construction of common effluent treatment plant. They developed first and second phase of industrial area consisting of wide roads with drainage facilities on both side with a surface chip carpet for carriage width. Belur industrial area is surrounded by villages like Mummigatti, Kottur, Belur and Narendra. The laborers from the surrounding villages are employed in the units, which have come up in the industrial area, and skilled labors and other laborers are available at Dharwad city.

□ **TARIHAL INDUSTRIAL AREA, HUBLI.**

The Karnataka Industrial Development Board (K.I.A.D.) has developed an industrial area at Tarihal village, which is situated at a distance of 10 kms. From Hubli-KanaviHonnapur road, an extent of 312.30 acres have been acquired and developed providing with necessary infrastructural facilities like roads, drains, power and water supply. There are around 10 bore wells which yield 10 lakh liters per day and same will be pumped to ground level reservoir and from there to over-head tank and same is distributed to industries through water supply pipeline provided all along the roads. Another 9 bore wells have been drilled recently and these bore wells which have yielded more water, are also being commissioned shortly. About 297 plots have been formed which varies from 0.13 acres to 5 Acres. Almost all the plots have been allotted. The area covered by roads and civic amenities is 73.16 acres. The length of road is 8.30kms. A commercial complex is built at the cost of 6lakhs, in which accommodation have been provided for canteen, telephone exchange and bank.

□ **LAKKAMANAHALLI INDUSTRIAL AREA, DHARWAD:**

This industrial area is located at a distance of 4 kms from Dharwad towards Hubli on right side of the Bangalore – Poona national highway no.4. An extent of 73.03 acres of land was acquired and developed with necessary infrastructural facilities such as roads, cross drainage work and storm water drains, and water supply, street lights etc. are provided. This area consists of 41 plots varying half acres up to 5 acres has been formed, with approach roads. The plots are allotted to various industries and all the units are under production. The land is also allotted to government agencies viz. m/s Karnataka milk products and Karnataka small-scale industrial development co-operation for the construction of the industrial units.

□ **SATTUR INDUSTRIAL AREA, DHARWAD:**

This industrial area is situated at a distance of 09 kms from Dharwad towards Hubli on left side of the Bangalore-Poona national highway no.4. An extent of 54.18 acres of land has been acquired and developed with necessary infrastructural facilities like 680 meters asphalted roads with S.S.M. Storm water drains cross drainage, street light etc. for water supply the allottees have made there own arrangement. This area is divided into 21 plots varying from ½ acres to 8 acres plots. All the plots are allotted to industries which includes m/s Boruka textiles and m/s Meenakshi oil mills.

□ **RAYAPUR INDUSTRIAL AREA, DHARWAD:**

The Rayapur industrial area is situated at Poona-Bangalore highway and is about 8 kms from Dharwad city. The area comprises of 94.30 acres of land.

□ **TECHNICAL TRAINING INSTITUTES:**

There are the industrial training institutes (ITI) functioning in the district. Apart from this there are three engineering colleges having these in civil, electronic, mechanical automobile, computer science, industrial production, architecture, degree courses, post graduate and diploma courses. In addition to this there are polytechnic colleges and one women polytechnic college.

**ROLE PLAYED BY STATE BANK OF INDIA IN THE ECONOMIC DEVELOPMENT OF DHARWAD DISTRICT**

In India, the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills, to all. Internationally, the financial inclusion has been viewed in a much wider perspective. Having a current account / savings account on its own, is not regarded as an accurate indicator of financial inclusion. 'Financial Inclusion' efforts should offer at a minimum, access to a range of financial services including savings, long and short term credit, insurance, pensions, mortgages, money transfers, etc. and all this at a reasonable cost.

### **ECONOMIC DEVELOPMENT:**

Economic development is a process of increasing the real national income of the country over the period of time. It implies improvement in the material welfare of the masses by bringing about a change in the existing pattern of their standard of living. It aims at improving the quality of life of the people by generating employment and raising the productivity by enmeshing the use of modern technology and by supplying the essential commodities necessary for comfortable living. It relates to the activity of developing and conserving the available resources in land, men and material for enhancing the quality of life of the community. Economic development is thus a process of development resulting in the advancement of community towards the attainment of certain specific goals.

Chart 5.1: “Banking system and economic development”

The objectives of economic development are:

- a. Rise in national and per capita income.
- b. Improvement in the skill, efficiency and earning power of labors.
- c. Better organization of production.
- d. Development of social overheads.
- e. Growth of financial institutions.
- f. Rise in the standard of education and expectation of life.
- g. Greater leisure and recreational facilities.
- h. Widening the mental horizon of the people.
- i. Removal of unemployment and poverty.
- j. Reducing inequalities of income and wealth distribution.
- k. Bringing about a total change in the socio economic scenario in the country.

### **DETERMINANTS OF ECONOMIC DEVELOPMENT:**

Economic development is a highly complex phenomenon. It is influenced by a number of factors. Not only economic development but also non-economic development determines the process of development in any country. The determinants of economic development may there for be classified into two broad categories:

1. Economic determinants.
2. Non- economic determinants. The non-economic factors may be further classified into
  - Social determinants
  - Political determinants
  - Other determinants

Chart 5.2: “Determinants of economic development”

### **III. Economic Factors**

#### **1. AVAILABILITY OF NATURAL RESOURCES:**

The economic development of any country is largely determined by the availability and the use of its natural resources. The quantity and quality of natural resources affect vitally the process of economic development of a country. A country’s productive capacity largely depends on the availability of natural resources. However, mere availability of natural resources is not enough. A country may be rich in natural resources. But if these natural resources are not properly used, economic development may not be possible. Natural resources are in themselves passive in their influence on economic development. They remain dormant and largely unknown till such time as the general culture including technology reveals their use value. They acquire their dynamic character largely through changes introduced by man. India provides the instance where plenty of natural resources are available but they have not been properly harnessed, there by causing poverty to stay longer amidst plenty – a highly paradoxical situation. The type and level of technology determine the use and contribution of natural resources to economic development.

#### **2. CAPITAL FORMATION:**

Capital formation is the core of economic development. It is the essential condition of economic development. By capital formation we mean the amount of capital the community adds to the existing stock of capital during a given period, generally one year. Every community has some capital and it makes addition to it every year. This process is also known as capital accumulation. Capital does not imply only money capital but also capital in the form of real assets such as plant, machinery, building, etc.

Capital accumulation therefore implies the creation of real assets. Capital formation depends mainly on savings. Savings can be increased by restricting consumptions. Higher the rate of capital formation, speedier is the rate of economic development and vice-versa. The capital formation is of a vital importance in developing countries as it helps in breaking the vicious circle of poverty. Capital formation results in investments leading to

generation of employment and income. This drags people out of the vicious circle and enables them to participate actively in the furtherance of development of the country.

### 3. CAPITAL – OUTPUT RATIO:

Another important determinant of economic development is the capital-output ratio. It may be defined as the relationship of investments in a given economy or industry for a given time period to the output of that economy or industry for a similar period. The capital – output ratio shows the productivity of the capital. It shows the rate at which the production increases due to the growth of capital investment. A lower capital – output ratio results in a higher rate of growth of output. since the productivity of capital is determined by a number of forces, it is rather difficult to measure accurately the capital-output ratio. In an underdeveloped country the capital-output ratio starts declining. This is the sign of decreased productivity. The capital-output ratio depends on such factors like degree of technological development, the efficiency with which capital equipments are handled, the quality of managerial and organizational skills, the existence and extent of use of economic overheads and the pattern of rate of investment.

### 4. TECHNOLOGY AND RESEARCH:

Technological advancement enhances the ability to make maximum use of available natural resources. Industrialization is the key stone of economic development, the rate of growth of which depends heavily on the technological advancement. Technology plays a vital role in the economic development of a country. The American economic development since 1900 is mainly due to the technological advancement that the American economy could make over these years.

### 5. DYNAMIC ENTREPRENEURSHIP:

It is the dynamism and the creativity of the entrepreneurs in the country which promotes economic development. An entrepreneur plays a vital role in the economic development. A dynamic entrepreneur believes in adopting new technology and improved methods of production for time to time. This it self is the greatest contribution to the economic development.

### 6. RATE OF GROWTH OF POPULATION:

The size, composition and rate of growth of population also determine the level of economic development in any country. When population is too small, it reduces the scope of specialization and does not provide proper market for the goods produced. If population is too large, it becomes a hurdle in the economic development of a country. A higher rate of growth of population reduces the per capita income by swallowing the increases in the national income. Economic development gets retarded with faster growth of population. The evil consequences of the rapidity of the growing population are scarcity of food, increased number of unproductive consumers, labor inefficiency and reduction in the per capita income. The phase of development is slowed by rapidly growing population.

### 7. SOCIAL OVERHEADS:

The provision of social overheads also has an important bearing on economic development. In the furtherance of development we need some critical skills. These skills will have to be developed within the country. For this purpose we must provide social overheads like schools, colleges, technical institutions, medical colleges, hospitals and public health facilities. These overheads supply healthy, efficient and responsible citizens who would contribute to the economic development of the country.

## **NON- ECONOMIC FACTORS**

Non economic factors like social, political and other factors also contribute to the economic development of a country. These include factors such as social institutions and their characteristics, urbanization, social reforms, functioning of the government, maintenance of the law and order, social justice and the desire for development. A change in the economic order is a function of non economic factor too. The existences of social institutions like caste, joint family and law of inheritance have hindered the rate of growth of development of the economy in the initial stages of development. Still these factors are predominant in rural India. Good government and social peace are essential for economic development.

The most important of the non economic variable is the “desire for development” / “developmental attitudes”, unless people have a strong will to develop and participate actively in the program of development, economic development would remain a distant dream.

Economic development is thus a function of economic and non economic variables. This may be shown symbolically as follows:

$$\begin{aligned} \text{Ed} &= f(e + \text{en}) \\ &= f(R, C, a, T, E, P, \text{Os}) + (S + P + O) \end{aligned}$$

Where:

Ed: denotes economic development

f: is a “function of”

e: represents economic variables

en: shows non economic variables

R: indicates resources available

C: implies capital formation

a: denotes capital-output ratio

T: indicates technology

E: denotes entrepreneurship

P: denotes rate of growth of population

Os: stands for social overheads

P: denotes political factors

O: means other factors

#### **FINANCIAL ASSISTANCE TO SMALL AND MEDIUM SCALE INDUSTRIES PROVIDED BY STATE BANK OF INDIA IN DHARWAD DISTRICT:**

1. AGRICULTURAL GOLD LOANS
2. KISAN CREDIT CARD (KCC)
3. PRODUCE MARKETING LOAN
4. KISAN GOLD CARD SCHEME (KGC)
5. SETTING UP OF AGRI-CLINIC & AGRI BUSINESS CENTRES
6. LAND PURCHASE SCHEME
7. SCORING MODEL FOR TRACTOR LOANS
8. FINANCING OF SECOND HAND / USED TRACTORS SCHEME
9. FINANCING POWER TILLERS
10. FINANCING FOR COMBINE HARVESTERS
11. SCHEME FOR FINANCING FARM MACHINERY WHERE TANGIBLE ASSETS ARE CREATED
12. DAIRY PLUS SCHEME FOR FINANCING DAIRY UNITS
13. DAIRY SOCIETY PLUS - SCHEME FOR FINANCING DAIRY SOCIETIES
14. BROILER PLUS
15. SCHEME TO COVER LOANS FOR GENERAL PURPOSE UNDER - GENERAL CREDIT CARD (GCC)
16. SBI KRISHAK UTHAAN YOJNA
17. GRAMIN BHANDARAN YOJNA - CAPITAL INVESTMENT SUBSIDY SCHEME FOR CONSTRUCTION / RENOVATION OF RURAL GODOWNS
18. SCHEME FOR FINANCING PRIVATE COLD STORAGE/ PRIVATE WARE HOUSES FOR ONLENDING TO FARMERS
19. SCHEME FOR FINANCING SEED PROCESSORS
20. MORTGAGE LOAN TO SEED PROCESSING UNITS
21. CAPITAL INVESTMENT SUBSIDY SCHEME FOR COMMERCIAL PRODUCTION UNITS OF ORGANIC INPUTS UNDER NATIONAL PROJECT ON ORGANIC FARMING
22. SCHEME FOR DEBT SWAPPING OF BORROWERS
23. ARTHIYAS PLUS SCHEME
24. MINOR IRRIGATION SCHEMES
25. FINANCE TO HORICULTURE
26. FINANCING JLG OF TENENT FARMERS
27. SCHEME FOR FINANCING MICRO FINANCE INSTITUTIONS (MFIs) / NON GOVERNMENT ORGANISATIONS (NGOs)
28. SANJEEVANI
29. KRISHI KALYAN
30. FINANCING FOR ORGANIC FARMING
31. FINANCING JLG OF TENANT FARMERS
32. LEAD BANK SCHEME

## **PROSPECTS OF ECONOMIC DEVELOPMENT OF HUBLI- DHARWAD TWIN CITIES**

Hubli is a developing industrial hub in Karnataka after Bangalore, with more than 1000 allied small and medium industries already established basically located in Gokul Road & Tarihal regions of Hubli. There are machine tools industries, electrical, steel furniture, food products, rubber and leather industries and tanning industries.

To promote the overall economic development of varied industries, institutions and business houses "Karnataka Chamber of Commerce & Industry" was formed, it's one of the premier association, which has been gaining momentum in achieving potential growth and prosperity in Hubli region. And one more key aspect of industrialization for Hubli-Dharwad was foundation of Agricultural Produce Market Committee, which aimed at providing hassle free market conditions for farmers, to establish regulated & stimulated production of various agricultural related commodities & goods.

Establishment of new generation Diesel loco shed in the city by Indian railways was another major boost for development of Industries in this region as this was first of its kind in Indian Railways history, this has created a lot of job opportunities for Diploma & Engineering students of this region.

Hubli Software IT Park is situated in the heart of the city and is promoted by the Government of Karnataka IT Department and KEONICS acts as the modal agency for maintaining and marketing of IT Park Hubli. STPI-Hubli Software Technology Parks of India (Organization under the Dept of IT, Government of India) has been operational from May 2001 and it is located in the 4th Floor of IT Park, to provide data communication, Industry promotion and Incubation services to IT/ITES industry.

Although over a thousand Small Scale Industries (SSI) are functioning in Hubli-Dharwad twin cities, the second largest conurbation in Karnataka after Bangalore, it has been unsuccessful in making a place for itself in the industrial map of India. These SSIs would be able to perform better in the presence of better government policies coupled with anchor industries.

At present, Hubli-Dharwad SSIs generate a turnover of Rs 100 crore per day. However, businessmen in the region believe that they have the potential to prove themselves if given a conducive environment for growth.

The industrial units in the second largest conurbation in Karnataka are going through a difficult time due to the apathy of policy makers as well as implementing authorities.

Inherent deformities of the region, such as absence of industrial and social infrastructures and connectivity, are holding back Hubli-Dharwad to create a congenial atmosphere for attracting bigger industries.

The government tried to address these problems to a certain extent, but was unsuccessful in creating an environment, where large companies could come and make a large investment.

According to businessmen in the region, wrong policies being pursued by the government are a bottleneck in their progress. Existing policy needs to fine-tune as per area-specific demands and should be implemented judiciously for economic growth.

Small-scale industries are of the opinion that changes should be brought in tax front. Financing through banks and other financial institutions should be made simpler and at marginal interest rate should be implemented judiciously for economic growth.

Amidst all these impediments, SSIs in the region are keeping up their performance with the hope of a better future. Small units from sectors such as manufacturing, fabrication, and valve, pumps, steel, chemical, pharmaceutical, plastic and paper are operating in industrial layouts.

SSI units manufacturing valves and dye-cast are doing good. Many units also export their goods to European countries and the US. However, there very such SSI units, while units in other sectors are striving hard to match them. From the day Hubli airport started operating flights, a few big companies have started to enter the region. However, basic infrastructure like power is holding them back, which is an impediment not only for large-scale industries but also small scale government efforts to attract anchor industries in the region turned futile. The state government tried to persuade Hero MotoCorp, Mahindra and Mahindra etc. to set-up their manufacturing units here. Sensing an opportunity there, a large number of entrepreneurs had planned to start auto ancillary industries in the region. But nothing materialised.

The government's failure to woo Tata Motors to set-up its Nano unit in Dharwad further disheartened them. But, trade and industrial bodies of the region are still putting pressure on the government to bring a major corporate in the region.

The economic development of the region depends on the industrial development that in turn depends on the industrial policies at the national and state levels and the purposeful effort made at the regional level for the resource mobilization and utilisation of resources. Further, development in the sphere of science and technology will widen the scope for industrial activities. In view of the existing and anticipated socio economic conditions and industrial infrastructure in this region we can reasonably hope to attract a number of industrial units in the years to come.

The Major part of the industrialization in the region today related to agriculture. Consequently the industrial expansion will depend upon the extent of intensive agricultural development. In addition to this,

engineering and textile units in the form of power looms, foundry and pattern making units have provided a base for dispersed industrial development. The regional policy designed to accelerate the piece of development of small scale cottage industries also provide a good scope for their development in the region. The constraint placed on the expansion of the existing industries and establishment of new industries in the big cities like Bangalore and Mysore at national and state levels will also push up the phase of industrial development in this region. The cities and regions in peripheral of Bangalore and Mysore having priority in the industrialization program and the state before 1970. today Hubli - Dharwad region falls in the second phase. The Government is not taking the necessary steps for increasing industrial activities in the region. Further it is suggested that, Government may take the necessary steps to start at least two public sector units in the region. So that it will help in the growth of small and ancillary units the region.

This region has all the necessary basic Facilities for the formation of industrial units, namely land, labour, rail and road transport, electricity, water, market connections etc. in required measure. But the only thing is that entrepreneurs must utilize the opportunities available to them.

It is found that, there are certain areas which are industrially backward. In the case of industrially developed talukas wherein more than 95% of such factories are concentrated. These talukas are Hubli and Dharwad. Due to the development of Gokul industrial estates, Tarihal industrial estates, Rayapur industrial estates and Belur industrial growth center, these two cities are now called as twin cities, and these two talukas are playing prominent role in industrial development. Kurlga, Nalagund, kalghattagalukas are considered as totally backward. These talukas have inadequate network of transport and communication and lack miserably in respect of other essential infrastructure for industrial and economic development.

#### **HIGHLIGHTS OF DISTRICT INDUSTRIAL DEVELOPMENT PLAN 2016-20**

- The Department of Industries & Commerce, Government of Karnataka desired that a Study be undertaken for Dharwad District, to identify potential investment opportunities and a consequent plan for concerted efforts to realize the potential.
- Accordingly, based on the details study, Taluk-wise potential for industrial & economic (tourism & service sector) development have been identified. These have been presented in detail, in the Taluk Industrial Development Plan for all the five taluks separately.
- In order to realize the potential for development, concerted efforts would be required. Such facilitation efforts/services have been consolidated for the district.
- To enable District level Development, Investment Opportunities & Facilitation Plan have been consolidated and presented in this Report.
- Financial implications in terms of requisite capital formation, credit flow required and Government. Supports have been indicated for the District.

#### **IV. Investment Opportunities**

- Around 5,000 investment opportunities (units) have been identified involving an aggregate investment of Rs.500 crores and with a potential to generate direct employment to 29,000 persons and indirect employment to 60,000 persons.
- The District offers investment opportunity in Food & Agro based, Mechanical & Automobile, Electricals, Electronics, Textiles and other sectors besides new and innovative projects.

#### **CAPACITY BUILDING & INDUSTRIAL PROMOTION ACTIVITIES:**

In order to facilitate identified investments, the following are suggested:

Industrial promotional activities in terms of human resource development / capacity building through the following during five years plan period:

- (a) Thirty three Entrepreneurship Awareness Programmes (EAP).
- (b) Thirty five Entrepreneurship Development Programmes (EDP).
- (c) Eighteen Skill Development Programmes.
- (d) Nineteen Management Development Programmes (MDP).
- (e) Five Export Management Programmes.
- (f) To organize the programmes (a to e), the fund requirement is estimated at about Rs.80 lakhs.
- (g) To facilitate entrepreneurs for setting up industrial projects, counseling, consultancy & mentoring services are required for choosing right project with an expenditure of about Rs.53 lakhs.
- (h) For providing requisite support to entrepreneurs, an amount of Rs.99 lakhs is estimated towards handholding, backward linkages, market intelligence, market facilitation, etc. In addition to this, 13 buyer seller meet, trade fair and marketing facilitation etc. are suggested.
- (i) Entrepreneurs are provided backward linkages in the form of sourcing of raw materials and other inputs, for which Rs.22 lakhs is estimated.

### **INDUSTRIAL INFRASTRUCTURE FACILITIES:**

Additional Industrial Infrastructure Facilities to be provided in the District comprise developed plots, internal roads, power & water distribution networks, storm water drain, street lighting and associated commercial infrastructure.

1. The land requirement (net) for developing industrial plots is about 240 acres and cost of development is about 12 crores.
2. The industrial units require about 75 lakh litres of water. The additional water requirement may be met by drawing a Parallel water supply line along with present drinking water supply line from Malaprabha Dam.
3. Power requirement to the industrial area is 33 MW, for which an investment of Rs.265 crores is estimated. This can also be an investment opportunity.

### **FINDINGS AND SUGGESTIONS**

After undertaking the study, the following findings were made about the usage of financing schemes of the State Bank of India:

1. The respondents had used multiple sources for financing their enterprises. Most of the respondents had relied on their own funds for financing SMEs and bank financing. Private financial institutions came third in the preference.
2. Obtaining adequate finance was the biggest obstacle faced by SMEs in their growth followed by burden of heavy taxes on them. Easy financing schemes should be provided. Rates of taxes should also be decreased; it will help in the growth of SMEs in India.
3. State Bank of India was the most popular source of SME financing. The reason was low rates of interest which gives them capital at low cost. The service fees and bank charges were also less which results in low cost of financing than the other sources.
4. Most of the firms were taking loans for fulfilling their frequent needs for the capital. They took credit for the flooring of inventory and working capital and to increase the size of production. They had taken loans for technological up gradation also as SMEs require capital to upgrade their technologies which is changing at a very fast phase.
5. The most preferred benefit of these schemes was low rates of interest as government is charging very less rates in comparison to other sources. These schemes offer attractive financing conditions and easy access also.
6. The most common problem faced by SMEs in raising finance was the delay made in sanctioning the loan. The public sector bank employee's work very slowly and usually an application takes a lot of time for approval. Biasness and insufficient collateral were another problems faced by them.
7. The most common reason given by the banks for rejecting an application was that the enterprises could not provide enough guarantees. Banks reject an application because they believed that it was not a profitable venture. An application also got rejected because of poor credit history as banks lie on the past performance of enterprises before granting any loan.
8. Most of the respondents get demotivated for applying for finance from these schemes because of the lengthy process involved and because they were turned down before. Some of the respondents did not apply for loan from these schemes as too much of documentation was required. The time to obtain the approval for loan and documentation involved demotivated the SMEs.
9. Most of the respondents think that private sector banks schemes of financing were better than that of State Bank of India financing schemes. The private sector banks use latest technology and provide better service. Moreover, the time involved for obtaining loan was also comparatively less. But private banks charge heavy rates of interest and charge heavy service fees.
10. Most of the respondents were satisfied with the interest rate charged, amount of loan sanctioned and service fees. Respondents showed their dissatisfaction regarding time to obtain the approval, behavior of the bank staff.

### **V. Suggestions**

In the light of the observations and findings of the study, it is but fitting and proper to put forward the following recommendations to improve the performance effectiveness of State Bank of India. Economic development is a highly complex phenomenon. It is influenced by a number of factors. Not only economic development but also non-economic development determines the process of development in any country. The determinants of economic development may there for be classified into two broad categories: Economic determinants. Non- economic determinants. The non-economic factors may be further classified into Social determinants Political determinants other determinants

1. The re-orientation program, workshops and seminars should be organized at district level to provide latest information to the small and medium scale industries about the various small and medium scale industries financing schemes of the State Bank of India.

2. Product innovations in banks have set the rule of the game “Innovate or perish”. The same rule applies to small and medium scale industries segment. At present, there is a vast gap between requirements of the small and medium scale industries customer and availability of suitable/matching products and services in the State Bank of India. New credit products may be developed to take care of the diverse, unexpected and short-term requirements of the small and medium scale industries customers in a hassle free manner and in a short time.
3. The conventional credit appraisal systems are heavily dependent on financial statements and miss the softer strengths inherent in the business. Banks may adopt a balanced score card model for credit assessments. Small and medium scale industries not under which risk weights may be assigned to (i) managerial, technical and commercial competence of the entrepreneur (ii) quality of trade references from suppliers/buyers (need not be in writing) (iii) potential of the industry, unit and person.
4. The appraisal system is to be made more realistic and transparent. The applicant and if required, his consultant, should be briefed on the objective procedures which bank applies to arrive at decisions so as to educate them to understand the requirements of bank and to prepare credit proposals in a scientific manner. Economic development is a process of increasing the real national income of the country over the period of time. It implies improvement in the material welfare of the masses by bringing about a change in the existing pattern of their standard of living. It aims at improving the quality of life of the people by generating employment and raising the productivity by enmeshing the use of modern technology and by supplying the essential commodities necessary for comfortable living. It relates to the activity of developing and conserving the available resources in land, men and material for enhancing the quality of life of the community. Economic development is thus a process of development resulting in the advancement of community towards the attainment of certain specific goals.
5. As most of the small and medium scale industries customers are proprietorship type of customers, it is essential for the banks to closely focus on the non-financial parameters also during appraisal
6. The process followed in sanctioning the loan and documentation required is cumbersome; hence it is suggested to make the process easier.
7. Small entrepreneurs should make feasibility studies before they finalize their projects. They should undertake only such projects which are technically, operationally and economically and financially viable.
8. The problem that the small and medium scale industries face while acquiring funds from State Bank of India is that their financial systems lack transparency. Credit Ratings can benefit both the parties. The credit ratings will give State Bank of India ratings an easy access to the financial information of small and medium scale industries that highlight the unit's strength and weaknesses, making it easy for them to take a decision while lending.
9. The issue of high cost of acquiring, serving and monitoring small and medium scale industries customers can be resolved by offering products which reduce frequent visit of small and medium scale industries customers to the branch, provide flexibility to the borrowers as well as to the bankers and fulfill other financial needs of the customer.
10. Most small and medium scale industries customers have to make several small payments through cash, bankers' cheques or drafts. Banks may capitalize on emerging electronic payment and settlement systems such as ECS, EFT, RTGS, etc., to offer customized and cost effective retail payment/remittance solutions or cash management services to the small and medium scale industries customers.

## **VI. Conclusion**

Now the Bank is looking forward with confidence to excel itself in all areas of banking in the days to come. It is reasonable to think that the fruits of liberalization coupled with the changes in the internal structure and a new Dynamism in management would take the Bank to greater heights in performance. True to its tradition. State Bank of India has a strong commitment to fulfill the aims and objectives of nationalisation. It still considers the customer as 'Master'. It murmurs silently with a feeling of self satisfaction. At the time of nationalization the socio-economic objectives were explicitly laid down and the banks were asked to contribute to the maximum possible extend towards economic and social development of the country. It was realized that the traditional banking ethics were not compatible with the needs of economic development and that balanced development was not possible without strengthening the hold of commercial banks in the backward and neglected areas. Various developments taking place in Indian economy are influencing Indian banking in a major way. The major contributors towards the economic development is banking sector by way of financing major projects like construction of building, laying down roads, etc. as well as major projects like providing finance to small scale industries, partnership firms, cottage industries, poor artisans, etc. State bank of India being a leading public sector bank also initiated a number of measures to respond to the changes taking place in the economy and banking. Launching of various services in it self is no business objective; successful positioning and resultant positive response from the consumers determine the extent of success of the services that ultimately leads to



economic development. Because the role of commercial banks in the economic development involves a great amount of invisible delivery, monitoring and further planning to improve them became a very challenging task. Examination and analysis of various aspects of this challenging task, therefore is an important exercise, which this study attempts to undertake.

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