CHAPTER VII

CASE STUDIES AND PROBLEMS AND PROSPECTS OF SMALL ENTERPRISES IN HYDERABAD KARNATAKA REGION

7.1. Introduction:

Among there old circumstances during the surucy some of the entrepreneurs are achieving faster growth and are able to earn high profits in their units. Her some the success stories i.e. some of the enterprises reported the higher growth rate in production and generation of employment opportunities within the short period in the region. The case studies that are presented here to identify the factors that have contributed to the success of there units. There may help to formulate promotional policies and motivate the entrepreneurs to face global challenge.

7.2. Case Studies

The success stories are expected to encourage the other entrepreneurs to promote their business activities and adopt the new and innovative technologies in their units.

7.2.1. Success stories in Kalaburaragi district:

Five success stories are observed in the sample of Kalaburagi district that may serve as a model. Hence additional information was collected from the enterprises in the kalaburagi district and the analysis is presented below.

1. Laxmi Industry- A successful women Entrepreneur:

Laxmi candle making industry was established in the year of 2008-09 in the Kalaburagi city according to the MSMED act 2006, as micro enterprises. This enterprise situated in the center of the city of Shahabazar, it is nearest to the supermarket. Initial investment in this unit was less than Rs.0.5Lakh. Laxmi Basavaraj is an owner of the industry and she belongs to Lingayat caste of Hindu community and completed the PUC qualification. She was got training from the institute and the KSSIDC provide the raw-material assistance to the unit and introduced the market for their product. Now she expands their market, she purchases the raw-materials from available sources in the market and gives the training for interested womens for candle
making and raw-materials give them on re-purchasing agreement. She started the business with their family members, she did not appoint any labour up to one year. The MSSME development institute and DIC assisted her in market her product. In course she captured the market and extended their business. Now she provides the employment to more than 10 members.

She also received the financial and as well as raw-material assistance from MSMME development institution and DIC Kalaburagi. She shared some information about their success in the business. The family members are co-operate and encourage to her in this matter, hard work, risk taking capacity and confidence in their work and efforts as well as support from MSME-DO have lead to the success in her business.

**Figure 7.1**

Candle Making Machine

![Candle Making Machine](image1)

**Figure 7.2**

Candle Making Items

![Candle Making Items](image2)
2. Gubbi Dall Industries:

The Gubbi dall industry was established in the year of 2004 as a proprietary unit. Mr. Shivaputtrappa P Gubbi is an owner of this industry he belongs to the Lingayat caste of Hindu community and he has 56 years old. He was completed degree (BA) level of educational qualification and he had an sister property up to 50 acres of land, in this land he grown the red gram and as well as he did broker business of purchase the red grams from former and sold at market. This business leads to and encourages him to start a dall industry in the district. Their family members, friends and DIC encouraged him to establish the dall industry. His hard work, co-operation of the labours and family members as well as Banks provide financial assistance in a mean time, it leads to success in a sort period in their business activities. In the beginning he starts with Rs 1.5 lakh capital investment and 10 labours. In the next year he availed the financial assistance from KSFC and he borrowed the Rs. 58.81lakh from 2005 to 2008. Now he produces 20000 quintals of Dall in a year. He also received good training and support from MSME-DO.

He used the modern technology to produce the dall and he created the employment to 50 workers in their unit. He has suggested to the new entrepreneurs to start a service enterprise or manufacturing enterprise in the district, first they should conduct a pilot study and get the knowledge about the status and future of the enterprise, marketing strategies and also demand for that enterprise in their location. After that they should do more efforts, risk taking capacity and also make a good relationship among the entrepreneurs in the market, than only they will achieve more and get success in their business.

Figure 7.3

Building of Gubbi Dall Industry
3 Vasavi Offset Printers:

The Vasavi offset printers was established in the year of 2006 as a proprietary enterprises by the Mr.Ravindra Mukka. He has completed the technical education and expert in designing and photoshopie. He belongs to the Komatiga caste of Hindu community and he is 47 years old, he passed the printing and fashion designing course from the Institute of Technology Pune. This enterprise situated in the center of the city Kalaburagi, it exist in super market Kalaburagi. He was invested Rs. 20.84 Lakh capital in beginning and after that the raw-material cost like paper and color cost incurred in the unit. This enterprise received the financial assistance from KSFC, now this enterprise is most popular in the district and many other enterprises pertaining to this activity, they have asked the help from this enterprise in any problem concerns.

In this enterprises make the wedding cards, visiting cards, banners and wall posts, he prepared the well designed wedding cards and banners, hence, most of the peoples and major institutions like the vasavi offset printers in the district. In the beginning years of the enterprises he did more work for better result, hard work, minimum 15 hours per day in those initial days and he got success and good results in their business and received the various awards from government and as well as privete agencies for their success in the business and he is the module for new and as well as existing enterprenerus in the district. Mr.Mukka was conferred the
Excellence in Printing and Designing Award in 1987 by the president of India and also the National Award for Design in 1989 and 1993. This enterprise is model enterprises and model entrepreneur to other entrepreneurs in the Hyderabad Karnataka Region. Education, training, hard work and support from DIC, KSFC and mEMEDO are the key factors for his success.

**Figure 7.5**

*Printing Machine in Vasavi Offset Printing*

4. Gurushantappa Vermi Compost Unit:

The Gurushantappa Vermi compost unit is established by Mr. Gurushantappa S Niangi in the year of 2009 as proprietary and micro enterprises according to the MSMED Act 2006. In this enterprise invested the Rs. 3.5Lakh beginning capital amount and it started growing year by year.

The owner of this enterprise is 52 years old and belonging to the Vakkaliga caste of Hindu community and he completed high school education and he had ancestral property of more than 45 acres of land in the Badadal village of Afzalpure talika of the Kalaburagi district. The enterprises situated in Badadala village of Afzalpur Taluka in the Kalaburagi district, the owner start it in their own land. This enterprise provided the employment more than 30 persons and it is a manufacturing enterprises. This industry produced the organic fertilizer and it sells to Rs. 300 per Bag. Day by day the local farmer’s attitude turned and interested in use of organic
fertilizer because of it gives the good returns and no effects on the health. Now he covered the 25 to 30 villages surrounding their village and he earned the more than Rs. 8 lakh per year with their farming activities.

In the initial years he faced the various problems pertaining to the production and marketing of the organic fertilizer in the talika, because of the former afraid to use of this fertilizer and also they think that some times chemicals fails to get good returns in this way this organic fertilizer how it will be affected and give the good returns. In this time the owner of the enterprise himself use and shows the good results from this fertilizer and made various awareness campaigns in their surrounding villages, after that he could expand the market for their product in the taluka and as well as good model to the entrepreneurs in the district.

His deep interest, sound economic background, hard work and assistance from DIC are the key factors for his success.

5. Global Re-rolling Gulbarga:

The global re-rolling enterprise started by the Mr. Fareed Ahmed in the year of 2001. He has 47 years old and he belonging to the Muslim community and he completed the Technical education (ITI). This enterprise is situated in the Kalaburagi city and it is manufacturing enterprise. The owner of this enterprise has completed only secondary level of education and he was worked in welding shops, engineering and metal working shop, he learned various aspects pertaining to the manufacturing of the metal sheets and after that he was established this unit. His two family members resided in foreign country and they provided the financial assistance in setting up of the enterprise and after that various financial institutions come forward to provide the financial assistance to him.

His hard work, good efforts, co-operation from family members, supports from various financial institutions and sincerity of the labours are encourage to the entrepreneur and very short period he become a successful entrepreneur in the district. The unit is engaged in the manufacture of metal sheets, welding works etc. Since 2001 the promoter has availed several loans amounting to Rs. 27.54 lakhs under various schemes from KSFC. There has been a steady growth in the turnover of the company, with turnover figures of Rs. 10.45 lakhs, to Rs. 11.15 lakhs and Rs. 12 lakhs in the years of 2006, 2007 and 2008 respectively.
7.2.2. Success stories in Raichur district:

Four success stories observed in the sample are collected additional information from the enterprises in the Raichur district those are explained below.

1. Raxita Garments: successful female entrepreneur

This raxita garments established in the year of 2014 as a small enterprise according to the MSMED Act 2006. This enterprise situated in the industrial area of Raichur city. The enterprise established and manged by the female entrepreneur, owner of this enterprise is shivageeta; she has completed the degree level of educational qualification, she is 32 years old and belonging to the ST caste of the Hindu community. She got the entrepreneurship development programme (EDP) training given by the MSME-Development Institute Kalaburagi. In this training she learned the fashion designing, fancy dress making and tailoring activities. These are tending to establish the garments enterprise in the district. In mean time the DIC also helps and provides the financial assistance to establish the enterprise. She invested Rs. 40 lakhs in the enterprise and Rs. 10 lakh borrowed from the canara bank industrial area Raichur.
This is the manufacturing enterprise, it manufactures the pants and Shirts Company oriented business not for single sale. She get the orders from various cloth company from Mumbai, Culakatta, Bangalor, those company provides the raw-materials and purchase the ready made garments. This enterprise earned the Rs. 12 lakh to Rs. 15 lakh per annum. Her efforts, risk taking capacity, MSME-DI and DICs support and family members’ encouragement have led to successful entrepreneur in the district in a short time.

**Figure 7.7**

Raxita Garments

![Image of Raxita Garments]

**Figure 7.8**

Clothings in Garments

![Image of Clothings in Garments]
2. Shree Venkateswara Hero-Moto Ltd:

   This Enterprise established in the year of 2012 as a manufacturing enterprise, by the Bellan Jayapal, He has completed the degree level of educational qualification and external he completed the MBA course. His age is 41 years old and he had 4 adult and 2 childrens in their family. He belongs to the Lingayat caste of Hindu community. His family background is very rich and they are in business activities. Good financial support from their family members helped him in establishment of this enterprise and also DIC promoted to develop marketing the goods.

   In intial year he invested Rs. 65 lakh and provided the more than 20 members employment in this enterprise. He had another 4 enterprises in the district, it situated in center of the Raichur city. He has good knowledge base, innovator, able to face the risk and uncertainties in the market and made good effort, good relationship among the entrepreneurs in the market and as well as industrial officers in the district. This enterprise is the model enterprise for the new and as well as existing entrepreneurs in the district.

3. Trimax industry:
This enterprise was established in the year of 2010 as a small enterprise according to the MSMED-Act 2006, by Srinivas in Chikkasugura village of the Raichur taluka, it is near by Raicchur city. He is 41 years old and belongs to the ST caste of Hindu community. The owener of the enterprise has completed the M.sc, Ph.D degree and he established this enterprise on the basis of his knowledge. His family member, friends and DIC officer assisted and supported tto establish and run this enterprise.

In the intial year he invested Rs. 30 lakh and now it cross the Rs. 4 crore. In this enterprise manufactures the pharmaceuticals, medicene, tablets, syrup etc. he had 3 adult members and 2 childrens in his family. His relatives encourage to prromte and steady growth in his business activities. His hard work, sinciarity, punctuality and good relationship with their collegues and labourers are most important factors for success in their business activits and he suggests to the new entrepeneurrs hard work, punctuality and make good relationship among the entrepreneurs in the market are essential to factors for grow in the business.

**Figure 7.9**

*Building of Trimax Industry*
4. Cotton Ginning Enterprise: - Women Entrepreneur

The cotton ginning enterprise was established in the year of 2011, according to the MSMED-Act 2006 as a small enterprise in the Raichur district. This enterprise established by the female entrepreneur, her name is Laxmi Reddy, she has 35 years old and belongs to the Reddy caste of Hindu community and competed the degree level of education and her family member supports and encourage her to establish this unit. She had 5 adult members and 3 childrens in her family. She launched her enterprise with family responsibilities on her shoulder.

In initial year she invested Rs. 2 crore in her enterprise and manufactured the cotton pants, shirts and other dress materials those sold market prices. She provides the employment to 40 people directly and more than 100 people indirectly in their units. She is model entrepreneur for all women entrepreneurs in the district in the short period she has become successful in her business.

It is the result of her hard work, honesty, punctuality, good relationship with customers and as well as among the entrepreneurs in the district and she believe in the work is worship. Her message to the other entrepreneurs is do your work, believe in yourself and do the work confidentially and continuously, you will become a good and successful entrepreneur in the district and as well as in the world.

7.3. Problems of the Enterprises in the Region:

The small enterprises have been facing various problems in the Hyderabad Karnataka region, those are explained below.

General Problems:

Financial Problem:

The scarcity of the finance is the main obstacle in the development of small enterprises. Many small enterprises are on the margin. The capital base of the small enterprises is usually very weak since the general have partnership or single ownership. The credit gap is high. The artisans or craftman running cottage industries either run their business whatever little capital they possess or take credit from the indogenous bankers or traders who supply raw-materials to
them. In many cases such credit is obtained at a very high rate of interest and is thus exploitive in character.

**Inadequate Infrastructure:**

The survey found that, very large number of enterprises said that they faced significant infrastructural problems. The recognized popular conceptualization that many productive activites are being constrained by inadequate physical infrastructure. The most severe constraints is power. Captive generation at reasonable cost is is out of question for small enterprise. Therefore they have to depend on state electricity boards for meeting their requirement which do not supply regular and adequate power. Moreover, because of ramant corruption, many small enterprises are forced to make private deals with the electricity officials; otherwise they face a danger of tempering with their matters by the electricians. Transportation and communication infrastructure are also universal constraints. In many small enterprises (particularly those relating to beverages, printing and publishing, chemicals, drugs and medicins) water supply is fast emerging as an important infrastrucuter constraints.

**Raw-material Scarcity:**

Small enterprises that use local raw-material also face a number of problems. For incetance, the handloom industry depends for its requirement of cotton on local traders. These traders often supply cotton on the condition that the weavers sell the cloth only to them when it is ready. Thus the weavers are subjected to double exploigtion at the hand of the traders. The traders sell cotton to them at high prices and purchase the ready cloth at low prices.

**Problems of Marketing:**

One of the main problems faced by the small enterprises is in the field of marketing. These units often do not possess any marketing organization and consequently their products compare unfavourably with the quality of the products of the large scale industries. Therefore, they suffer from a compitative disadvantage vis-à-vis large scale units. Because of the shortage of capital and financial resource. These units do not have adequate staying capacity and are often forced to sell their products at unremunerative prices. They do not have labels and trade marks. They also do not able to get customers due to lack of advertisement.
**Delayed payments:**

Most of the small enterprises associations complain about the hardships the small entrepreneurs go through on account of delayed payments by large firms and government departments. The small firms provide very little period credit to the buyers of their goods and services. In fact the small firms have very little bargaining power in the markets they operate. On the purchase side, since they buy raw-materials and components in small lots, they do not have much bargaining power vis-à-vis large oligopolistic and monopolistic firms producing materials like steel, plastics, glass, copper etc. at times they even have to make advance payment to have an assurance of supply. On other hand these small firms when they sell to wholesellers and other firms, are often forced to offer extended credit periods. Especially in their dealings with other large firms as subcontractors, this is a major problem.

**Problems in the region**

1) Delay in allotment of sheds and plots in industrial area by KIADB.

2) Delay process in sanction the credit from the Banks and they need various documents to provide the loan

3) High price for raw-materials

4) High competiton in the market

5) Lower price for his product

6) Unresponsive productive pattern

7) Burden of local taxes

8) Not a good raod and transportation problems also reported

9) Power problem is the main problem.

10) In efficient labours

11) Higher price for labours
Financial Assistance:

In the Hyderabad Karnataka region KSFC, IDBI, commercial Banks and some of the financial institutions are the main sources of financing to the small enterprises registered with EM Part II registration. The MSME development institution recommends the application received from entrepreneurs for loan to various banks and other financial institutions. The entrepreneurs reported the some problems regarding to the financial assistance from the banks are below.

1) The banks demanded various documents for sanctioned the loan, i.e. plans of expenditure in the unit, security proof etc, these are not necessary and not possible to arrange all required documents within the period.

2) They have reported that the financial institutions taken two or three months to sanctioned the loan.

3) High interest rates are charged by the KSFC, IDBI and commercial banks in the region

Power Problem:

The MSME development Institute advised to the entrepreneurs to get the electricity supply you should submit the application for issuing the power connections to the unit. Than the institute estimate the power consumption of the unit per month and advised them used the power in efficient manner, but the entrepreneurs are reported the some problems pertaining to the power supply, those are mentioned below.

1) The KEB some time provides the power only single phase, some time double phase but three phase power is necessary in the industrial areas.

2) The single phase is effected on the machines, some time machines are burned this power fluctuations. A variation in the power is very dangers to the enterprises.

3) The KEB arrange the single window agency meeting for solve these problems and one person from our side (enterprise represtative) as represents as a member in this meeting but, our demands are not implemented or satisfied.
4) When asked to the MSME-Development institute they are told that, we are only the recommending agency and the supply of power is to be sanctioned by the KEB, therefore we cannot help directly.

**Marketing Problems:**

The entrepreneurs faced the various difficulties in marketing their products in the district, region and as well as state level, because of various similar products produced by the large industries in lower price and good quality but, these units are very small and they have not capable to compete with large firms. Some of the major marketing difficulties are reported by the entrepreneurs in the region those are below.

1) Low Price for their products in the region

2) Insufficient Demand for their products, it leads to the loss and lock out units.

3) Transportation cost is very high in now days, the enterprises adopt this cost is necessary to capture the market hence, they transport one place to another place and village to town and town to village for survival and continuation of the units in market but it is very difficult to the entrepreneurs they are poor and earned only few money from this business.

3) Storage is a most important problem marked by the entrepreneur because of they have not enough space to store their product in a long time.

**Problem of Infrastructure :**

The MSME development institute Kalaburagi recommends to the KSSIDC and KIADB for the provision of infrastructure facilities to the registered small enterprises in the industrial areas, but institute not provides these facilities directly to the units. The some problems reported by the entrepreneurs regarding to the infrastructure facilities, those are presented below.

1) The KSSIDC and KIAD are charge the high price for plots and sheds in the industrial areas and estates.

2) These organizations taken long time to develop the shed and plots in the industrial areas and not allotted the plots and shed in time.
3) Asked to the KSSIDC and KIADB for provides adequate infrastructure facilities in the industrial areas; they replied that, due to the budget constraints we are not able to provide the facilities adequately for all units.

**Problem of Raw-Materials:**

The MSME development institute recommends to the KSSIDC for release the raw-materials to the registered small enterprises in the region, but entrepreneurs reported some of the problems pertaining to the raw-material assistance given by the institute in the region.

1) The KSSIDC charged the higher price for the raw-materials in the region

2) The KSSIDC not adequately supplied the raw-materials to the enterprises and delay process in supply of the raw-materials in the region.

**Labour problem:**

The small enterprises are reported various labours problems in the region, major problems relating to the labours are explained below.

1) The skilled labours are not available in the region.

2) Labours demand high wages for their services, but it is difficult task because of no more profit from the business.

**Training Problems:**

The various training programmes organized for the entrepreneurs by MSME development institute Kalaburagi to skill development and promotion of small enterprises in the region. These training programmes conducted by the district training institute, ROODSET, and other institutions in the region but, the entrepreneurs reported some of the problems.

1) Most of the training programmes organized for new entrepreneurs and not existing units, the new youth are not interested in establish the units they join only for received stipends from institute.
2) The training period is only 3 to 4 months it is not adequate hence, it extended to at least 9 months to 1 year.

7.4. Prospects of Small Enterprises in the Region:

The Hyderabad Karnataka region is industrial very backward region in the Karnataka state. The small enterprises marked the very lees growth to the state average in the region but, there are lot of opportunities to establish the new enterprises in the region in service sector and as ancillary units to the major cement industry. The people of the region are adopting modern culture and go to fast food and demand the outside food hence, food making enterprises are having good prospects in the region. There is less number of Automobiles, electrical and electronics and mechanical engineering industries in the region, if the entrepreneurs want to establish these industries in the region there is a good scope.