CHAPTER-1

RESEARCH METHODOLOGY

INTRODUCTION

In 1947, when the country got the independence, the then Government faced a situation of acute poverty, unemployment along with other socio-economic problems. It was felt that industrialisation was the only panacea for solving the problem of poverty, ignorance, unemployment etc. The government decided to go for a blend of capitalistic and socialistic method of economic development which was termed as mixed economy and introduced the five year plans. Because of the impact of five years plan gradually small-scale industries re-emerged as important component of the Indian Industries. During the last five decades, a wide range of new small-scale industries have come into being. There has been a boom of entrepreneurial activities in the last fifty years covering almost all industries. In fact, small-scale industries have sustained the pressure of the economy and have managed reasonable growth in the last five decades.

The scale and scope of operations of entrepreneurs particularly in small-scale industries have necessitated provision of supporting institutions, since the success of entrepreneurship in small-scale industries. The institutions supporting small-scale industries are broadly classified into three categories viz. (i) Advisory bodies (ii) Government institutions and (iii) Corporate organisations.

In the first category, we have the Development Commissioner, Small Scale Industries; the State Small Industries Board, Directorate of Industries and Commerce; Export Promotion Council and the Small Scale Industries Association. In the second category, the following are included: Commodity Boards, National Small Industries Corporation, Small Industries Service Institutions etc. In the third group the following corporate bodies are included: the State Trading Corporation, the MMTC, the Indian Bureau of Standards, the Central Institute of Tool Design and IDBI etc.

The basic objectives of the above agencies and institutions are developing entrepreneurs and to enable the society to generate productive human resources, mobilise and sustain the same in the subsequent process of development. The board is composed of central and state government officials, representatives of various institutions, financing bodies,
the federation of small scale industries associations and a number of non-officials representing trade, industry and other interests.

In 1991, the Government of India introduced the new economic policy which remarkably changed the industrial climate in the country. The process of liberalisation, the privatisation and the globalisation of the economy resulted in SSI facing severe competition from domestic and foreign companies. The Government’s role also changed regarding supporting SSI. Earlier Government protected the SSI from big industries. Now the Government has changed its own perception about the SSIs. Instead of protective role the Government wants to adopt facilitator’s role in developing SSIs. This change has resulted in number of problems to SSIs.

The efforts of the Government of India have resulted in introduction of number of promotional schemes for promoting entrepreneurship support by number of financial and non-financial institutions. The development agencies and organisations are so many that an entrepreneur gets confused while deciding which agency to approach for various requirements. The government in its eagerness to hasten up the development of small-scale industries has established a large number of institutions and also has directed number of other institutions like banking institutions to support the development of small-scale industries. In the process there was number of organisations which have been created with overlapping objectives and functions. There is feeling that because of multiplicity of supporting organisations there are confusions and contradictions resulting in entrepreneurs facing innumerable problems.

The Government is very much aware of its role. It plays a crucial role in shaping the destiny and growth path of entrepreneur even in the post-liberalisation period. As such there is need to study impact of the new economic policy on promotion of small-scale enterprises and at the same time, there is need to study the efficacy of various schemes of finance to promote industries and entrepreneur in post liberalisation period.

**TITLE OF THE STUDY:**

“FINANCING OF SMALL SCALE INDUSTRIES IN BANGALORE URBAN DISTRICT IN POST LIBERALISATION ERA”
STATEMENT OF PROBLEM:

In spite of a large number of national and state level institutional supporting the development of SSIs, it is reported that the financing schemes are not successful. This is indicated by less number of new SSI starting and doing business. What could be the reason? Is it because the financial support which is given inadequate? Or is it because the institutions do not have the required infrastructure and the other facilities to run the industry effectively? Or is it because these institutions are not having the finance as the priority resulting in low importance to this activity? Or is it because of lack of qualified man power? Or is it because the approach is more traditional, and bureaucratic? Or is it because people are not aware of the various scheme and types of finance offered and available? Or is it because the financial institutions are not really implementing the recommendations laid down by the committees for the development of SSIs? All these questions require an in-depth study. This study is an attempt in that direction.

OBJECTIVES OF THE STUDY:

This study, the role of financial intuitions in financing SSIs specifically after one decade of liberalization period covers the following objectives.

1. To study the various policies of the government regarding encouraging of the growth and development of SSIs in the country.
2. To examine the functions and activities of national and state level financial institutions in the growth and development of small scale industries.
3. To study the industrial profile of Bangalore Urban District.
4. To assess the perception of small scale industrialists about the role played by financial institutions in financing their requirements.
5. To give observations and suggestions based on the study.

SCOPE OF THE STUDY:

The study was conducted in two parts. The first part of the study consisted of role played by National Level Financial Institutions which include SIDBI, and IFCI and Nationalized Commercial Banks like Canara Bank, State Bank of Mysore, Bank of India, Bank of Baroda and State Level Financial Institution- KSFC in promoting financial assistance to small scale industries. It also covered the role played by DIC in assisting the SSIs through non-financial assistance. The second part of the study
covered the perception and experience of the SSIs about the financial assistance availed by them through financial institutions. The study was restricted to 100 Manufacturing Small Scale Industries in Bangalore urban district. The period of study undertaken was restricted from 2005-2010.

USEFULNESS OF THE STUDY:

The study was helpful in identifying the role of various financial institutions in financing the SSI, and to know whether implementation of the Directives given by expert committees in the reports are taken into consideration for the development of SSI in the post liberalisation era and the study included the perception of the sample entrepreneur about the role of financial institution in financing their requirements.

HYPOTHESIS:

A hypothesis is a claim (assumption) about the population parameter. A statistical hypothesis is conjectural statement in statistical terms that the researcher sets upon to test. An important advantage of a sample study is to collect enough materials to carry out valid test on hypothesis.

In the light of the relevant literature review and keeping in mind the objectives of the study, the following hypotheses were to be tested. The study undertaken tested the following hypothesis by using Pearson chi-square technique.

1. **Finance is provided by the institutions at right time**- A lot of literature by eminent scholars have brought to light that most of the SSI do not get their funds at right time due to which these entrepreneurs are not able to meet their work orders in time which ultimately affects their goodwill and their productivity in terms of profitability

2. **Sourcing of the requirement is done as per demand**- The literature suggests that one of the key components is that the SSIs are not receiving the funds in adequate quantity from financial institutions as this leads them for insufficiency in both fixed capital as well as working capital to run the business smoothly.

3. **The directives recommended in the expert committees are implemented by institutions for providing better financial assistance to SSIs**- Negligent study has been done in the area as to whether directives laid down from time to time by
the expert committees are actually implemented by the financial institutions in their lending policies to SSIs.

4. **The entrepreneurs are fully happy with the services provided by the institutional agencies** - The literature survey suggests that not many SSIs have been established during last few years as they feel that, though there are many financial institutions involved in promoting and developing of SSIs by providing both financial and non-financial services, the entrepreneurs are not very satisfied with the services offered by them.

**SOURCES OF DATA AND METHODOLOGY OF RESEARCH**

The study is empirical and analytical in nature. The work involved field survey and personal observations. Data has been collected from the selected sample small-scale industries in the Bangalore Urban District through questionnaires and personal discussions.

The research methodology remains as an answer to research questions. It is a call of collection of data; facts and figures and other relevant matters, past and present. Facts and figures serve as base for study and analysis.

The research methodology for collection of data has been dependent upon both primary and secondary sources. The primary sources are original sources from which the researcher directly collects data that have not been previously collected.

The researcher for the current study has followed the following methods to collate accurate facts and figures from primary sources:

i. Direct Personal Interview:

   The researcher had personally contacted the respondents from whom the information was collected. The researcher had one to one interviews with the respondents for soliciting facts and figures.

ii. Personal observations

   The researcher collected useful data regarding behavioural aspects, reactions, attitudes etc., through personal observations.
iii. Mail survey

Where the researcher was unable to personally contact the respondents because of the respondent’s busy schedule, mail surveys was used.

The researcher for the current study has followed the following methods to collect accurate facts and figures from secondary sources. By secondary data, the researcher means that data already used or available readily. The secondary sources of information include

- Textbooks
- Magazines
- Journals
- Websites
- Annual reports
- Government reports
- Statistical publications

**SAMPLE DESIGN:**

**a. Population Description:**

As per the statistical information available from the governmental, quasi governmental and private agency sources, the entire Bangalore Urban District is divided into three taluk namely Bangalore North, Bangalore South and East and Anekal Taluk. There is cross section SSIs located in the respective industrial areas of the Taluk. These industrial units have been in existence for at least some time period till 2010 in Bangalore Urban jurisdiction. These firms included both manufacturing as well as service sector. Out of these, about 100 Manufacturing Small Scale Units were selected considering that they represented industries which had experience in the field and which had employed less than 125 employees.

Apart from the SSIs, the National and State Level Financial Institutions including Nationalised commercial banks were studied to get a clear cut information about the kind and type of financial assistance provided by them to the SSIs and to what extent these institutions which act as an intermediary between Government and the SSIs are contributing to the development and promotion of SSIs. Some issues regarding
procedures, documentation, criteria which were required by the SSIs in availing the financial assistance were studied.

b. Sample Frame:

The information regarding the small-scale industrial units was obtained from various sources. Few are listed below:

- Department of Commerce and Industries, Government of Karnataka, Bangalore
- Karnataka State Finance Corporation, Bangalore
- Karnataka State Industrial Investment Corporation, Bangalore
- Registrar of Companies, Karnataka Region, Bangalore
- President, Karnataka Small Industries Association, Vijayanagar, Magadi Road-Chord Road, Bangalore.
- President, AWAKE, No.B-76, KSSIDC Industrial Estate, Rajajinagar, Bangalore-560044

The units selected were listed or registered in either of the above corporations and associations.

SAMPLING TECHNIQUE

SAMPLING DESIGN – Study of Entrepreneurs (SSI)

<table>
<thead>
<tr>
<th>TALUKAS</th>
<th>TOTAL NUMBERS</th>
<th>SAMPLING TECHNIQUE</th>
<th>SAMPLE SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH TALUKAS</td>
<td>4542</td>
<td>STRATIFIED RANDOM SAMPLING</td>
<td>40 UNITS</td>
</tr>
<tr>
<td>SOUTH AND EAST TALUKAS</td>
<td>4099</td>
<td></td>
<td>40 UNITS</td>
</tr>
<tr>
<td>ANEKAL TALUKAS</td>
<td>1680</td>
<td></td>
<td>20 UNITS</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10321</td>
<td></td>
<td>100 UNITS</td>
</tr>
</tbody>
</table>

The sampling design used for the purpose of research of small-scale industrial units was *stratified random sampling*. 
The sampling design used for the purpose of research for financial institution was “Simple Random sampling”

**a. Sampling unit**

The *sampling unit* for the research purpose has been divided into two parts:

1. Small Scale Industries (Bangalore Urban District)
2. Financial Institution

**b. Sample Size**

Out of the three Taluks located in Bangalore Urban District, businesses were chosen based on the experience in the field and number of Employees employed by the firm. 100 Manufacturing Small Scale Industries were chosen as samples for the purpose of research. 2 National Level Financial Institution –SIDBI and IFCI, 1 State Level Financial Institution-KSFC and 4 Nationalised Commercial Banks- Canara Bank, State Bank of Mysore, Bank of India and Bank of Baroda, were also interviewed to elicit information; based on which the research findings were acquired scientifically.
DATA ANALYSIS:

The data collected has been processed and tabulated to present it lucidly and systematically. Appropriate pictorial representations have been made wherever warranted. The data so tabulated has been subjected to statistical treatment. Hypothesis testing was been undertaken through chi square test to validate the results of the study.

The data collection was undertaken by the following primary methodologies:

i. Sample Data collection:

Bangalore Urban District is a colossal and cosmopolitan city engaged with varieties of small-scale industries. The precise research task cannot be possible in case the researcher selects a large number of such many industries. The researcher selected 100 Manufacturing industries that represented other industries too. The selection was based on simple sample for the collection of ample of data.

ii. Questionnaires:

Reasonable and rational questionnaires were set up to investigate personally. The researcher satisfied by testing the tune and tone of respondents. The questionnaire was divided into V PARTS for collecting the data from entrepreneurs.

iii. Personal Interviews:

The researcher approached the financial institutions to collect personal interviews by eyewitness. Personal contacts produced the most reliable facts and figures. All respondents were endowed with number of boons and blessings as they were identified as talents and gallants in reeling their feelings for providing the service to the entrepreneurs.

iv. Observations:

The researcher observed the personal behavior, nature and characters of respondents.
LIMITATIONS OF THE STUDY

- The study particularly relating to financing of SSIs covers only Bangalore urban districts.
- The sample size of the study was restricted to 100 Manufacturing SSI.
- The period which will be taken under consideration for the study will be from 2005-2010.
- Another limitation is, there is no single yard stick which could have been applied for making comparative study because each institution had its own specific role.
- The means adopted were different but end result was expected to be same i.e. promotion and development of SSIs.

CONCEPTUAL DEFINITIONS

The conceptual definition/meaning of some of the terms used in this study is:-

**Financial systems:** promoting, performing related activities in a unified purposeful way.

**Entrepreneurship development:** Promoting developing SSIs vis-à-vis entrepreneurship. Promotion and growth of SSIs is considered to be promotion and development of entrepreneurship.

**Objectives:** Organisations long term goals. It indicates the purpose the organisations strives to achieve-some are measureable some are not.

**Functions:** Group of similar type or activities performed to achieve the goal and objectives of the organisation.

**Schemes:** Plans which are adopted and implemented to achieve pre-determined objectives/goals.

Post-liberalisation period: In this study post liberalisation period refers to a period of eight years from 2001-02 to 2007-08. This period is considered as a reference period.
because whole of 1990s indicated too many policy changes and there was inconsistency in the approach to the development of SSIs.

CHAPTER SCHEME

After completion of the study, the report has been presented in the form of a thesis under following chapters.

Chapter 1. Introduction-Statement of Problem

Objective of study

Hypothesis

Scope and Uses of Study

Research Methodology

Limitation of Study

Chapter Scheme

Chapter 2. SSI Development in Post-Liberalisation Era-In India, Karnataka and Bangalore Urban District.

Chapter 3. Review of Literature

Chapter 4. Industrial Policies and Programmes of the Government

Chapter 5. Industrial Profile of Bangalore city and Urban

Chapter 6. Role of Financial Institution in SSI development

Chapter 7. Performance evaluation of Financial Institution

Chapter 8. Summary of findings and suggestions