CHAPTER- I
RESEARCH DESIGN

1.1 Introduction

Industrialization is accepted as the most predominant component of the development strategies in the third World countries as it injects dynamism in the growth process. It is associated with technical progress and increasing labour productivity resulting in higher levels of national income and employment. It is also considered as a means to transfer surplus labour out of agriculture to the modern industrial sector. But over a period of time the experience in the process of industrialization in these countries reveals that the growth of capitalist sector has not been successful in drawing the surplus labour out of agriculture. The development so achieved has not made any significant impact on their basic problem of poverty, unemployment and inequalities. Large enterprises in industry have not been able to produce adequate spread effects either in terms of the number of people benefiting from them or the geographical area covered. Therefore it is now recognized that small enterprises are as economical as large enterprises and in fact in some product lines they are even more economical on terms of capital investment, employment generation and output. Hence these countries have diverted their attention towards the development of small, tiny village and cottage industries to attain their basic objectives of development. In this context in recent years there has been added emphasis on small industrialization.

Economic development through small scale industries has been the goal India since independence. The various industrial policies in the past emphasized on the development of small industries in the country. The Govt. has also extended various fiscal and financial concessions to develop industries in the backward areas. However this institutional set up to promote small industrialization was highly disaggregated and therefore it could not promote the task of small industrialization effectively. Thus there was a need to develop an integrated approach to promote rural industries through a
“single window agency” which could provide all sorts of assistance from pilot survey to the marketing of the product to the entrepreneurs.

This was visualized with the establishment of district industries centers in May first 1978 in the country. The structure of DIC’s based on “Single Window Agency”. These were introduced with a view to provide an integrated administrative frame work at the district level to promote effective development of small industries widely dispersed in rural and semi-urban areas.

1.2 Definitions of Micro, Small & Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two categories.

A. Manufacturing Enterprises- The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.

B. Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery / equipment for manufacturing / service enterprises as under

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Manufacturing Sector</th>
<th>Service Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>Investment in plant &amp; machinery</td>
<td>Does not exceed 10 lakh rupees:</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>More than 25 lakh but does not exceed 5 crore</td>
<td>More than 10 lakh but does not exceed 2 crore</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>More than 5 crore but does not exceed 10 crore</td>
<td>More than 2 crore but does not exceed 5 core</td>
</tr>
</tbody>
</table>
1.3 Small Scale Industries in India and other countries

The definition of small scale industries in India is based on the criterion of capital investment. This is unlike many other countries like China, Germany, Indonesia, Iran, Turkey, etc., which go by the number of employees as the criterion for identifying small scale industries. In USA small business which has employment of less than 500 people, in UK are less than 200 workers, in Germany less than 300 workers, in Sweden and Italy less than 50 and 500 people respectively.

1.4 Importance of Small Industries

The prominence for Small-Scale Sector emanates from two basic premises of economic development policies viz. the 'balanced' development and 'sustainable' growth of the economy which calls for certain minimum level of diversification of the economy. In an economy with a predominant primary sector and agriculture depending on the monsoon, such a diversification has to be in the direction of industrial sector in general and small-scale sector in particular. Although agriculture is the backbone of our economy and the largest contributor to GDP, too much dependence on this sector is unwise. In spite of the fact that millions of people depend on agriculture, this sector is unable to absorb all and provide productive employment. There is a widespread disguised unemployment in this sector. In view of this, there is a need to diversify economic activities and shift the disguised unemployed from agriculture to other sectors where they can be productively employed. SSI sector is one such sector which is labour intensive and hence provides scope to absorb such labours.

A. Contribution of Small Scale Sector to Development of the Economy

Small scale and cottage industries in less developed countries (LDCs) normally employ around 80 percent of the entire industrial work force of the country. However most of the value added varying from around 40 to 70 percent routinely originates from only few industries. They include food and beverages, jeweler and gems, leather and leather products, jute and jute products, textile, furniture, wood products and handicrafts indicating the narrow base of the SSIs in the economy SSIs in advanced countries are found in a wide array of industries.
In India presently small scale industries account for 95 percent of the country’s industrial units, 40 percent of the industrial output, 80 percent of the employment in the industrial sector, 40 percent of total exports and 7 percent of net domestic product.

1.5 Product Range of Small Scale Industries

Small scale industrial sector encompasses the continuum of the artisans/handicrafts units at the one end and modern production units with significant investment on the other producing a wide range of over 7500 quality products. The products of the small scale industries vary from simple to highly sophisticated technologies and offer opportunities for the utilization of local resources and skills. The small scale sector has emerged as a major supplier of a variety of mass production as well as parts and components to the large industrial sector. Apart from handicrafts and other traditional products the SSI units manufacture some high value added and sophisticated products like electronic typewriters, electronic survey equipments security and fire alarm systems, television sets and other consumer durables. Many products of the small equipment items are used by the manufacturers in the large industry sector. Small scale industrial sector has the flexibility of responding in varied needs of the economy.

1.6 Statement of the Problem

There is a dearth of literature on small industrialization as the emphasis on it has gathered only recent years very few studies are available on assessing the role of promotional agencies in promoting small industries specially to develop the backward area. Moreover the primary studies assessing the performance of promotional agencies are less available, Therefore the present study is undertaken to assess the role of promotional agencies in small industries development in Hyderabad Karnataka region of Karnataka state. It attempts to examine the viability of small industries and their problems it also seeks to throw light on the problems faced by the District industries centers and KSFCS in carrying out their task effectively as well as their performance in terms of services provided to small industries and level of satisfaction of stakeholders.

As far as Hyderabad Karnataka is concerned, there are very few industrial promotion agencies and they are functioning in their specific areas designed at the
formation of such agencies. Whatever is the number of promotional agencies and be the amount of money at their disposal for the promotion of industrial units, all have no significance in terms of efficient operational, managerial and financial performance. They have to not only design well thought out programmes but also implement them effectively for the promotion of industrial units. However, the number of industrial units promoted and assisted by Government and other agencies very meager to call this region an industrialized one.

1.7 Objectives of the Study

Following are the main objectives of the present study:

1. To examine the need and importance of small industrialization in India.
2. To analyze the various promotional agencies for the development of small industries
3. To examine the assistance provided by DIC and KSFC in promoting the small industries.
4. To study the problems and prospects of small industries in study area
5. To suggest suitable measures to improve the functioning of DIC’s and KSFC’s.

1.8 Hypotheses

To meet the objectives of the study, the following hypotheses are postulated for empirical verification in the study:

1. District industry centers and KSFC have promoted growth of small industry in study area.
2. Multi-task role of the District industry Centre has led to underperformance
3. KSFC has greater role in providing Finance and subsidies for small industries.
4. Inadequate Raw material and severe competition are the hindrances to growth of Small Industries In the study area.
5. The level of satisfaction of users differs on services rendered by DIC and KSFC.
1.9 Methodology

The present study is an empirical survey of the sample small industrial units in the study area of Hyderabad Karnataka Region. The study is based on both primary and secondary data.

A. Secondary data

The secondary data is collected from published sources like the Government publications, reference works, research publications, etc. Annual reports published by the units or data from their other records are obtained.

B. Primary data

The primary data is collected from the 300 sample Small Industrial units. The data is collected as per a well structured questionnaire. The questionnaire was administered to the manger / chief executive, owner of each unit and data is gathered through personal interviews. It includes following area of the study and selected sample units.

i) Selection of the Study Area

The study covers the Hyderabad Karnataka Region two districts are chosen from the seven districts these districts have the maximum number of small scale industries and agro based industries.

ii) Selection of the Study Units

The field study covers total number of 300 small industries selected on proportionate sample basis. These units are registered with the district industries centre from the universe a Sample of 20% of small industrial units have selected which were registered during the period of 2004-05 to 2008-09 in two districts.

Weight age is accorded to the actual number of units in different categories of SSIs as indicated below.
### Table-1

**Size and Description of the Sample Units**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Category of sample units</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food excluding beverages</td>
<td>80</td>
<td>26.7</td>
</tr>
<tr>
<td>2</td>
<td>Printing and Publishing</td>
<td>26</td>
<td>8.7</td>
</tr>
<tr>
<td>3</td>
<td>Non-Metallic mineral products</td>
<td>44</td>
<td>14.7</td>
</tr>
<tr>
<td>4</td>
<td>Metal products excluding machinery and transport equipment</td>
<td>30</td>
<td>10.0</td>
</tr>
<tr>
<td>5</td>
<td>Transport equipment</td>
<td>36</td>
<td>12.0</td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous mfg. industries and services</td>
<td>44</td>
<td>14.7</td>
</tr>
<tr>
<td>7</td>
<td>Hotels/ construction/educational</td>
<td>40</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Above Table no.01 shows the sample description and number of sample unit’s food excluding beverages, 80 units (26.7%) Printing and Publishing 26 units (8.7%) Non-Metallic mineral products 44 units (14.7%) Metal products excluding machinery and transport equipment 30 units (10%) Transport equipment 36 units (12.0%) Miscellaneous mfg. industries and services 44 units (14.7%) Hotels/ construction/educational 40 units (13.3%) are selected for the study in the study area.

### 1.10 justification of the Study

Hyderabad Karnataka is an underdeveloped and economically backward region in the state. One among the many reasons for its underdevelopment is the low growth rate of industrialization. Industrialization plays a vital role in economic development of any region Development of industries can increase income, output and employment and can accelerate the rate of growth of a backward area.
Further industry tends to exercise profound influence on other sectors of the economy including agriculture. That is why small industrialization is considered as an indicator of economic growth with justice and hence the underdeveloped countries give highest priority to industrial development, there was no alternative occupation worth mentioning as the village pottery, black smithy, and bamboo works, handicrafts were carried on part time basis.

The secondary and the tertiary sectors of the this region has not yet fully developed to absorb all willing work force at once; the shifting of people from primary sector results in unemployment and under employment in the region. As a result of poverty and lack of technical knowledge, the unskilled people in rural area cannot move from the traditional sector to a new sector.

This in turn results in heavy pressure on agriculture which gives rise to disguised unemployment and migration in the region. This region geographical location, land distribution, climate, social setup etc. stands as a combination of obstacles toward industrial development in the state. Capital, technical knowledge and entrepreneurial spirit, which are back bone of successful industrialization, are not available in this region. Potential investors, skilled labour force, non-availability of cheap adequate raw materials in the region and other parts of the state are yet another major cause of industrial backwardness of the region.

There is a problem of educated unemployment in the region, a large numbers of youths coming out from colleges and universities every year are hanging around without any permanent job. So far this section of the work force is concern, starting small scale and cottage industry is best suited as their career. This is the reason why people in this region having no other substitute jobs are trying to enter into this sector of the economy.
1.11 Organization of the study: The study consists following chapters

**Chapter One: Research Design**

This chapter explains the conceptual clarity of small industries and statement of the problem objectives of the study hypotheses, research methodology, study area, sample units, importance of small industries and selected topic sampling tools and techniques, justification of the study.

**Chapter Two: Review of Literature**

This chapter explains various reviews of international, national level published works, theoretical background of the small industries, related research works carried out by various researchers, government policies, Committees etc.

**Chapter Three: Small Industries in India and Karnataka**

This chapter covers the Growth Dimensions of Small Scale Industries in India pertaining to Employment Production Exports Comparative Growth of Small Scale Industries and Industrial Sector progress of Small Scale Industries during Five Year Plans, and Karnataka government industrial policy, incentives measures etc.

**Chapter Four: Promotional Agencies and Programs–An Over View**

This chapter covers the All India Institutions such as Small Scale Industries Board Small Industry Development Organization National Small Industries Corporation Limited, State Level Institutions State Directorate of Industries District Industries Centers and Fund-Based Institutions State Financial Corporation’s and Initiatives of the Ministry of Micro, Small and Medium Enterprises and KSFC and DIC

**Chapter Five: Profile of Hyderabad Karnataka Region**

Under this chapter total geographical features of the study area and human resources, natural resources, industrial scenario, socio-economic indicators have been covered

**Chapter Six: Operational Analysis of Small Industries**

This chapter explains the socio-economic profile of the sample units and operational analysis of small industries at study area on the basis of field survey with data, and responses given by the small entrepreneurs in respect to Economics aspects.
Finance and investment Pricing and marketing Labor and management Future prospects of small industries and Hypotheses testing and result.

Chapter Seven: Findings and Conclusion Suggestions

This chapter presents the various findings related to socio-economic aspects, marketing labour management problems and prospects of small industries and services rendered by KSFC DIC and policy suggestions to overcome the problems and conclusion

1.12 Limitations of the Study

The study is confined to the Hyderabad Karnataka Region in Karnataka State., and particularly Gulbarga and Raichur districts have been selected for sample, and also limited to only KSFC and District industries centers, these two as a promotional agencies how much effectively working in the study area ,to come to conclusion opinion of the respondents have been taken , result and inferences also based on this .Hence the conclusions drawn from the study have a limited application and the limits are also set by the study time, area and availability of information and the personal capacities of the researcher.

1.13 Conclusion

in this chapter various issues and importance, contribution of small industry in Indian economy, research design, sampling area units, objective and hypotheses explained to see the depth of small industry research and built a road map to undertake the desired research work ,small industries role in the economic development in various stages can be seen in next chapter.
References:
Thakur Shrinivas Y–Industrialization and Economic development Bombay University, Bombay