CHAPTER VIII

PROBLEMS OF INDUSTRIAL DEVELOPMENT IN TUMKUR DISTRICT
Small scale industrial units, because of their smallness suffer from a set of inbuilt problems. These units encounter numerous problems at every stage of their development. The problems commence at the stage of inception i.e., since the time of their getting registered with District Industries Centre (DIC). They continue to exist during expansion and during modernisation of the plants, if they were not turned in to 'sick' earlier. However, the nature and the intensity of the problems vary depending upon the stage of development, location of the unit, size of the investment and the nature of industry to which the units belong.

An attempt is made in this chapter to examine the problems of small scale industrial (SSI) units which are located in Tumkur district, of which the Madhugiri Revenue Sub-Division is a part. The observations are based on the personal interviews with the entrepreneurs of the SSI units in Tumkur district and the primary data collected and analysed from the sampled 200 SSI units in the Madhugiri Revenue Sub-Division.

Despite the fact that Village and Small Scale Industrial units play a prominent role in the economic development of Tumkur District, they face many difficulties and problems. Some of them are discussed briefly in the following paragraphs.

**FINANCE**

Finance is the life blood of any industrial unit, be it a large, medium or small. While finance itself produces no output, capital equipment and raw materials required by the units are purchased with it. The availability of money and credit is an essential ingredient for
working capital. It permits entrepreneurs to gain control over the real resources which enable them to engage in industry by producing and distributing industrial products. The foremost problem faced by the SSI units of Tumkur district is the non-availability of credit facilities. A majority of owners of SSI units do not have sufficient fixed and working capital. But they have a dire need of finance for the setting up of new units, expansion and modernisation of their units. Even banks and other financial institution like, the Karnataka State Financial Corporation (KSFC) do not provide loans to them due to their poor repaying capacity. As such, only less than 30% of the SSI unit owners could get financial assistance from the banks and KSFC. Therefore, they fall in the trap of money lenders and middle men who charge exhorbitant rates of interest. The situation is more acute in the rural areas of the Madhugiri Revenue Sub-Division, where people have meagre income and inadequate banking facilities. As a result, the rural areas of the Revenue Sub-Division are lagging behind in attaining the minimum level of industrial development.

RAW MATERIAL

Small industries have been at the mercy of big mill owners for their raw material requirements. For example, the big groundnut oil mill owners in the district buy the high quality groundnuts in larger quantities lasting for 7-8 months in the season i.e. December to January. Owing to stiff competition posed by the big mill owners, the small scale industrial owners who have been maintaining oil expillars and small scale oil crushing units do not get requisite quantity and quality of raw-material i.e., groundnut, at the going prices.
Their units could not engage in the production of oil, with a single shift, for not more than 4-5 months in a year.

The saw-mill owners often complain of not getting sufficient quantity of wood to work all through the year. They get wood from the districts of Mangalore, Hassan and Chikmagalur. The wood is usually transported from these districts only during the summer and not in any other season, for the lorries find it difficult to go inside the forests during other seasons in the year.

The silk handloom and cotton handloom weavers are worst affected a lot, who could not get silk and cotton yarn, as essential inputs, at reasonable prices. In the recent years, the prices of silk inputs, warp (Silk threads used as lengthwise) and weft (Silk threads used as crosswise) have been subjected to violent fluctuations and shook the very foundation of the silk handloom industry in the State as a whole. And the cotton prices have increased at least by three fold within a span of five years from 1989 to 1994. Thus, the SSI unit owners are placed at a considerable disadvantage. It hampered the interests of small producers in the district.

POWER

At the time of Independence, Karnataka was among the industrially advanced States in India, occupying fourth place in industrial development. But by 1967, it fell to sixth place, and by the 1980's it fluctuated between eighth and ninth place.* One of the

* From the Publishers of THE HINDU, FRONTLINE, April 8, 1995, Madras, p.61.
chief contributing factors for this was that the successive Governments which came to power after 1965 did not invest in power sector to improve its position. The shortage of power is holding back the fast industrial development in the State. The power position being critical, the government of Karnataka is unable to honour its own promise of exempting the SSI units from power cuts for the first five years, from the date of their commission.

The frequent power cuts have caused hardship to many entrepreneurs. It causes not only stoppage of production but also results in cost escalation. The entire State of Karnataka has been reeling under the severe power crisis for the past five years, more so, during the recent past three years. As such, industrial sector as a whole did not get adequate power supply. Power supply was not available to small industries, which have been spread over small towns and villages, continuously for six hours in a day, in the district. Thus, the capacity utilisation of the SSI units was reported to be not more than 55 per cent in the district. Further, like large industries, the small industries cannot afford to adopt alternatives, such as, thermal units or generators due to financial problems.

Silk handloom industry is worst affected due to the power shortage. The weavers who are engaged in weaving of silk fabrics, cannot function in the absence of power, as most of the looms in the district have been installed in sheds/houses which do not have adequate lighting facility. The silk threads being too thin to look at, one needs sufficient light to work on silk looms. The power shortage in the district restricted the productivity of silk garments to a considerable extent.
OUTDATED MACHINES AND EQUIPMENTS

In most of the cases, cottage and small scale industries use outdated means of production. Therefore, the commodities produced by these industries are of inferior quality, and the cost of production is high. In fact, modern methods of production have not become an integral part of village and small scale industries in Tumkur District. Most of the groundnut oil mills have been started in the early 1980's and they do not extract more than 75% of oil content in groundnut seeds. The rice mills too are of old type and the output of broken rice per bag of rice is anywhere in the range of 15-20 kilograms. As such farmers do not frequent upon these rice mills in their localities. On the other hand, they get their paddy hulled in the modern rice mills at Tumkur. As a result, most of the rural based rice mills have either became sick or work only for 3-4 hours a day. Similarly, the existing silk handlooms are of traditional ones and they need to be modernised on the lines of the handlooms of Warangal in Andhra Pradesh which not only increase the productivity levels of a weaver but also facilitate the manufacture of attractive designs of textiles. And same is the fate of the saw mills in the district. Commercial banks always hesitate to extend credit facilities to modernise the SSI units. This results in high prices and low demand for their products. Therefore, SSI units remain caught up in a vicious circle of low income and old machines.

LACK OF TECHNICAL KNOWLEDGE

In the absence of adequate number of Technical educational institutions, such as ITI's persons who work in SSI units in the district lack technical knowledge and research facilities. For the entire
Madhugiri Revenue Sub-Division there is only one ITI located at Madhugiri town. As a result, the productivity of the units is low and the goods produced are of poor quality.

HIGH DEGREE OF OBSOLESCENCE

The greatest problem of the Indian village and small scale industries is the high degree of obsolscence. A recent study team constituted by the Government of India has highlighted the degree of obsolescence in small scale industries which vary between 25-74 per cent. The story of SSI units of Tumkur district is in no way different from the one highlighted by the study team. This leads to inefficiency, which in turn affects both the quality and quantity of the products manufactured in these units.

COMPETITION

Local confectionary units engaged in the manufacture of bread and biscuits are facing a very stiff competition from the modern units engaged in the manufacture of fast-foods, which are, largely located in Bangalore city. The Nilgiri fast-foods company manufacturing a wide variety of food stuffs and marketing through out Karnataka and a few marketing outlets which are being located in Tamil Nadu and Andhra Pradesh, have adversely affected the prospects of bread and bakery manufacturing SSI units in Tumkur District.

In the case of Readymade Garment units, it is the field day for the bigger units and the SSI units could not compete with them, both in terms of cost and designs. The bigger units have resources to spend for advertisement of their products through Dailies, monthly
and fortnightly journals and more effectively through local T.V. relay stations. The small units do not have the required wherewithal for this and fail to get proper share in the district market.

MARKETING

Another problem faced by these industrial units is in the field of marketing. The SSI units in the district do not have any marketing organisation to sell their output at remunerative prices. Rural artisans, especially, cotton handloom weavers, wool weavers, silk weavers, carpenters and readymade garments manufacturers sell their products at a low margin of profits as they lack bargaining power. In fact, the problem of marketing the above mentioned products made the entrepreneurs to devote less time to production. Owing to marketing problem - SSI unit entrepreneurs have reduced their production, atleast by 20-30 per cent in a year. It is reported that Readymade Garments' owners reduced their annual production by 30%, for the year 1994-95.

UNDER UTILISATION OF CAPACITY

This problem is felt more seriously in the recent days as the entire State of Karnataka is under the grip of power crisis and Tumkur district is no exception. As already pointed out here above, the existing SSI units could not exceed 55% of their installed capacities. This is solely due to power shortage. Another factor that was responsible for this happened to be the shortage of required essential inputs. Shortage of cotton yarn and silk yarn have adversely affected the handloom industry as a whole. As a result, 30-40% of the total number of handlooms could not improve their productivity levels during the year 1994-95. It is a matter of satisfaction to record the report
that labour problem did not cause for under-utilisation of the installed capacities of the SSI units in the district. This is further evidenced by the fact that no SSI unit was declared closed on account of labour unrest in the district.

TRANSPORT FACILITIES

It has been observed that the village and small scale industrial units face the problem of poor availability of transport facilities in rural areas. The high cost of transport also results in high prices of the products. The lorry owners who agreed to provide transport facility to carry logs from the forests of Hassan, Mangalore and Chikmagalur districts to Tumkur district and to other taluk headquarters are reported to be heavily charging the parties concerned.

LABOUR

The problem of labour may arise either due to labour intransigence or due to the scarcity of skilled labour. Since the workers are fewer in number in SSI units and there exists a cordial owner-worker relationship, the problem of labour intransigence did not affect the SSI sector in Tumkur district. The SSI sector in Tumkur district is very badly affected by the scarcity of skilled labour. The small entrepreneurs due to dearth of capital are unable to pay higher wages and offer fringe benefits when compared to the entrepreneurs of large scale industrial units. Owing to this phenomenon, quite often, labourers who work in small scale enterprises in the rural and small towns migrate to cities where the large scale enterprises are established. This results in a high labour turnover, high labour costs and increased cost of production. The skilled tailors and
fashion-designers who were working in the Readymade Garments in the taluk headquarters of Tumkur, Thuruvekere, Tiptur and Sira have either migrated to Bangalore or Bombay in search of better avenues to earn money.

DELAY IN COLLECTION OF BILLS

In order to boost their sales, SSI unit owners sell their goods on credit. Credit sales form a large percentage in the case of silk handlooms, cotton handlooms and readymade garment units. The credit period, usually allowed is, three months. It is reported that even after the lapse of three months, the entrepreneurs are confronted with the problem of recovering the credit bills. According to oral information obtained, many a time, the credit period exceeds beyond 180 days when goods are supplied to public sector units.

ENTREPRENEURSHIP

The industrial backwardness of Tumkur district can be attributed to lack of daring, risk taking, skilled and trained entrepreneurs in the district. The people of the district invest their resources in quick yielding business activities rather than in risky industrial activities. Even the technically well qualified youth in the district is going for salaried jobs in the industries set up in Bangalore or elsewhere.

WATER

Water is a scarce natural resource that is not found in sufficient quantity for the industrial use in Tumkur district. As a result, water based industries such as filature units, chemical industries, modern tannaries and granite polishing units are not established in the district.