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CHAPTER II
RESEARCH DESIGN

2.1: Introduction

At the time of Independence, the industrial base of the economy was very small and the industries were beset with many problems such as shortage of raw materials, deficiency of capital, poor industrial relations, etc. It was only after the attainment of Independence in 1947 that the Indian Government realised the need for the rapid industrialisation of the country. To achieve this cherished goal, the government started the process of industrial development in a planned manner by adopting clear cut industrial policies. The government also realised that the small scale industries have many distinct advantages over large and medium scale industries. Hence, the government - both centre and states - have formulated and implemented a number of policies and programmes for the benefit of small scale industrial units. However, these policies and programmes have not yielded the expected result due to many number of reasons. It is against this backdrop that the present study is undertaken to make an in depth study of small scale industries (SSIs) and their promotional activities in Karnataka State.

Karnataka is the eighth largest state in India in terms of area. It is situated in south India latitude between $11^\circ31'$ and $18^\circ45'$ north, longitude between $74^\circ12'$ and $78^\circ40'$ east, altitude 450 m to 900m, and the area of Karnataka is
1,92,000 sq. kms.\(^1\) Average rain fall is about 1,139 mm and the temperature is 16.5\(^\circ\) to 33.00\(^\circ\) celsius. Karnataka has a 320 kms long coast line that faces the Arabian Sea. The rest of the state forms a part of the sprawling Deccan Plateau. To the left, running almost parallel to the coast, are the Western Ghats – a topographical feature is easily distinguishable.

Major industries operating in Karnataka are Information Technology and Software, Machine Tools, Aerospace, Electronics, Precision Engineering, Telecommunication, Minerals, Agro-based Industries like Garment, Pharmaceuticals and Bio-Technology. Karnataka has a wealth of human resources talent, internationally reputed institutes for specialised education, besides being a base for many large, medium, multinational and small scale industries. Karnataka state is a leading state in terms of science and technology. The state accounts for 9.2 per cent of the country’s science and technology personnel numbering about 151 thousands. There are eight science and technology personnel per 10 sq. kms of area, and four science and technological personnel for every 1,000 population in the state. Nearly 20% of the state’s income comes from the secondary sector of which more than 60% is from manufacturing. The average annual growth of industrial production was about 12.26 per cent during 1997-98 in mining, manufacturing and electricity. This shows small scale industrial base of the state is very strong when compared to other states in the country. But small scale industries are facing a number of

problems such as raw material, marketing, financial, technology, globalisation, man-power, electricity and infrastructural facilities. To overcome these problems, the Government of India as well as the Government of Karnataka established various organisations and implemented developmental programmes. Khadi and Village Industries Commission (KVIC) in 1957, Rural Youth for Self Industries Development Organisation (SIDO), National Small Industries Corporation (NSIC), National Research Development Corporation (NRDC), and National Bank for Agriculture and Rural Development (NABARD) are some of the other institutions established for the purpose of achieving rural industrialisation and for promoting the SSIs. Further, the state government has initiated several measures to provide physical, financial and infrastructural facilities to the SSIs in order to make rural industries more viable.

2.2: Statement of the Problem

The small scale industries contribute heavily to bring the state on the industrial map of the country. Keeping in view the suitability of SSIs in the state, a significant step was taken in 1978 in the form of establishing District Industries Centres (DICs).

DIC is a Government of India sponsored scheme. In Karnataka State, DIC programme was launched in the year 1978. At present, there are 27 DICs in Karnataka. These DICs are providing a number of assistances and infrastructural facilities to SSIs. And these DICs in Karnataka, as in other states, have been playing an important role in the development and growth of small sale
industries in the state. However, the financial and non-financial assistances provided by the DICs are not commensurate with the needs of the small scale enterprises. Because, even after two decades of their functioning, various types of problems are being faced by the small scale sector and the DICs have done very little to help them to overcome their problems. Further, they have not been able to contribute much to the removal of regional imbalances as far as industrial development is concerned. One of the reasons for this is the fact that the various agencies involved in the implementation of DIC programmes are not functioning in close co-operation and co-ordination. This way, a number of problems are being faced by both the small scale units and the DICs. However, this study finds significance and relevance as it deals with the working of DICs. It also aims at evaluating the reasons as to why the DICs have not been able to render services as expected. The fact as to how far DICs would be contributing to the development of SSIs in the state and for the removal of regional imbalance, proper utilisation of scarce resources, growth in production of goods and commodities, etc., have encouraged this researcher to work on this topic. Despite a lapse of two decades, it is really unfortunate to note that no micro level study worth the name has been undertaken by any agency to study the impact of DICs on the industrial scene of the state as well as on different Districts. Hence, a micro-level study which deals with the working of DICs located in the state generally and Chitradurga and Davangere Districts in particular is necessary.
2.3: An Overview of Literature

Several empirical works have been carried out, both at the national level and at the state level, and these studies have examined the significance, viability and prosperity of SSIs. An attempt is made in the following paragraphs to review a few important works, relevant to this study, carried out by the researchers in the past. Of course, the objective is to identify the research gap that exists at present.

In his published thesis entitled "Some Economic Aspects of Small Scale Industries in India", Dr. Umamaheshwara Rao\(^2\) of Andhra University has discussed various economic aspects of SSIs. The study primarily concentrated on the exploration of the role and significance of small industries in the economic development of the country and in designing ways for accelerating their growth.

Sri. Bakal\(^3\) in his Doctoral work entitled "Development of Small Scale Industries - New Schemes" laid emphasis on the role of cottage and small scale industries in the national economy. The Researcher highlights many evils of large and medium scale industries such as lopsided development and creation of monopolies and therefore, he suggested to the governments to encourage the decentralised sector with cottage and small scale industries so that the regional

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imbalance and the monopoly will end. Further, he suggested that for the development of this sector, it has to receive special attention of the governments as this sector has distinct advantages such as, large employment, ensuring more equitable distribution of wealth, labour intensive, capital light, skill light, import light, and ensures many of the advantages of decentralization.

Prof. Eresi\textsuperscript{4} in his research study on "Management of Finance in Small Scale Industries" made an exhaustive study of various sources of long-term and short-term finance available to SSIs and also the problems faced by the units in raising required funds. An analysis of the capital structure of sample units and an examination of the problems of computing cost of capital have been attempted. On the application side, the study makes a detailed analysis of deployment of funds in various components of fixed assets like, plant and machinery, land, building, etc., and of current assets like, cash, account receivables, and inventory. An attempt has also been made to study different managerial policies and practices such as depreciation policy, credit policy, repair policy, replacement policy, cash policy and so on of the sample units in managing these assets.

Prof. Bepin Behari in his study entitled "Rural Industrialisation in India" examined the problems, possibilities and prospects of rural industrialisation and discussed the crisis in Indian villages and the need for a

new strategy for rural industrialisation and for the provision of fuller employment in rural and small scale industries. He traced out agricultural development, encouragement to village and small scale industries, and general awareness for incorporating appropriate technologies as principal sources of impetus to the programme of technological transformation in Rural India. Further, he reviewed various measures taken by the governments towards rural industrialisation, local industrial growth, agro-based industries, mini rural cement plants, utilization of animal waste and harnessing of natural power, etc.

Sri Sen worked for his Doctoral Degree on “Rural Industrialisation in India”. In his study, he made an attempt to study various aspects of rural industries with particular reference to Orissa and Tamil Nadu states. According to him, poverty can be lowered only by providing gainful employment opportunities to the masses. Because, large scale industries have failed to solve the type of unemployment problem as large proportion of idle man-power is concentrated in rural area. In the past, it was believed that rural unemployment could be tackled through agricultural development. But the green revolution in many states showed that the benefits of agricultural development are not enjoyed by the entire rural folk. In this context, he suggests that rural industrialisation has to be considered as a remedy to many of the rural ills.

Dr. Nisar Ahmad⁷ in his published thesis entitled “Problems and Management of Small Scale and Cottage Industries” attempted to evaluate critically the operational and other problems of small scale and cottage industries in India with special reference to the state of Jammu and Kashmir. The Researcher observed that the small scale and cottage industries have been recognised as one of the important means for providing better economic opportunities for the people of developing countries like India. A developing economy like that of ours suffers from many peculiar problems such as disproportionate pressure of population on agriculture due to lack of rural industrialisation, unemployment and under-employment of human and material resources, regional imbalances, etc. The contribution of small scale and cottage industries to overcome these problems is very significant. He felt that lack of adequate government support and inefficient management are the major problems hindering the growth of small scale and cottage sector in India. He opined that the problem of developing small scale and cottage industries in the state of Jammu and Kashmir is relatively more complex due to the peculiar socio-economic setting and also due to the fact that the industrial structure mainly consists of the inefficient and low income generating handicrafts units.

Sri. Bhattacharya⁸ in his study “Rural Industrialisation in India” highlights the economics growth and problems in five backward districts of

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⁷ Dr. Nisar Ahmad, “Problems and Management of Small Scale and Cottage Industries”, Unpublished Thesis submitted to Aligharh Muslim University, 1969
⁸ Bhattacharya, “Rural Industrialisation in India”, New Delhi, B.P. Publishing Corporation.
North Bengal and calls for a new orientation to our industrial policy. Drawing upon the tenets of the Ganhion Philosophy of production by masses and the economies of relative resources endowments in the country in order encourage units of appropriate processes and sizes. This, he clarifies, does not imply that the growth of larger and capital intensive units to supply fertilizers, power, transport, etc., that are needed to sustain agriculture can be entirely dispensed with. The argument is only that the potential for developing smaller and more dispersed agro-based industries should by systematically identified for each local area and exploited to the full extent.

In his published thesis entitled “Problems and Development of Small Scale Industries in India”, Sri. Jayaprakash Reddy discussed various aspects of small scale industries. The primary objective of this study was to discuss important problems that have been faced by small scale sector in India. He highlights the progress attained by the small scale sector in our country in terms of its constant contribution towards employment generation, promotion of exports, contribution to national income and stresses upon the importance of SSIs as a quick and convenient tool of carrying industrialists to the areas which are industrially less developed⁹.

Dr. Dhar’s study on “Small Scale Industries in Delhi – A Study in Investment, Output and Employment Aspects” analyses the investment pattern, composition of fixed and working capital, relative importance of fixed

and working capital in the small scale sector, elements of cost, capital-output ratio, labour-output ratio and net value added per worker in different industry groups concentrating also on the problems which are faced by the Indian industries and their prospective\textsuperscript{10}.

Ranabijoy Deb in his published thesis viz., "Small Scale Industries in India – A Case Study of Assam" analyses various constraints relating to marketing, financial, material, labour, power, transport and climate which stand in the way of SSI units in utilising their full capacities. Apart from these problems, the study points out certain subjective issues which hinder smooth functioning of SSI units. Further, the Researcher evaluates the effectiveness of various incentives and supporting measures of the government to the SSIs, their channelising procedures and the entrepreneurs' response and attitude to such measures are also evaluated. Moreover, the prospects of ancillary and down stream industries on the basis of demands and wastes of large and medium scale units are examined\textsuperscript{11}.

Sri. Mathur in his study entitled "Economics of Small Scale Industries" tried to explore the reasons behind sluggishness in the growth of small scale sector, in spite of state's encouragement in various ways since Independence. The factors responsible for improper utilization of raw materials, man power and

\textsuperscript{10} Dhar P.N., "Small Scale Industries in Delhi – A Study in Investment, Output and Employment Aspects", Bombay, Asia Publishing House.

\textsuperscript{11} Ranabijoy Deb., "Small Scale Industries in India - A Case Study of Assam", New Dehli, Sulthan Chand and Sons.
capital resources were also pointed out. The study stressed that inadequate supply of fixed and working capital was the greatest bottleneck in the growth of small scale industrial sector. The study estimated that 80 per cent of the capital invested by the sample units was contributed by the proprietors themselves while Banks contributed only 20 per cent.\textsuperscript{12}

In his study entitled \textit{"Khadi and Village Industries Sectors"}, Sri Maulik pointed out that the khadi and village industries have the potential to generate employment opportunities at a low capital outlay by harnessing the existing skills of village artisans. The relevance of this sector in our economic development has also been traced to its capacity to provide work opportunities to people at their door steps and to prevent the job motivated rural-urban migrations, retain self employed character of labour force in the enterprise, offer flexible work norms and ensure the universal participation of family members.\textsuperscript{13}

Sri Sharma in his study \textit{"Entrepreneurial Performance in Role Perspective"} attempted to examine the socio-economic determinants influencing the survival or expansion of rural industries by studying the registered industrial units covered under the rural industries project in three districts of Haryana. The analysis of the data revealed that 73.5 per cent of the total industries were traditional which included handloom, carpentry, bag making, shoe making and basket making. These traditional industries were

\textsuperscript{12} Mathur S.P., \textit{"Economics of Small Scale Industries"}, New Delhi, Sandeep Prakashan.

\textsuperscript{13} Maulik T.K., \textit{"Khadi and Village Industries Sector"}, New Delhi, First Publisher.
mostly inherited. Among non-traditional industries only a small portion was inherited. The latter includes agricultural implements, readymade garments, oil and cotton industries. The domination of traditional form of rural industries has compelled rural artisans to continue their trade and to work mainly as agricultural labourers to supplement their income. On account of the traditional characteristics, most of the rural industries have not made much headway in respect of their expansion.\textsuperscript{14}

Like the above, a few more research works have been undertaken and completed in the past by the researchers - both individuals and institutions. All these works concentrated on one or more aspects of small scale industrial units such as the problems of financial, technological, managerial, material, marketing, etc., and on the promotional aspects. Further, some of the works concentrated on the role of SSIs from the view points of tapping locally available resources, economic development, poverty alleviation, reducing unemployment problems, etc. This comprehensive review of works already done also revealed the fact that no work of much significance has been carried out in the past on the present topic. Hence, the need for the present study.

\textbf{2.4: Objectives of the Study}

The primary objective of this study is to examine the working of DICs from the view points of their relevance, role and contribution, and also to

\textsuperscript{14}Sharma K.L., "Entrepreneurial Performance in Role Perspective", New Delhi, Abhinav Publication.
evaluate the problems of DICs. In this background, the important objectives of this study are crystallized into specific terms as presented below:

a. To examine the objectives with which the DICs have been established.

b. To examine the various types of assistances offered by DICs at different stages to the entrepreneurs.

c. To evaluate the role of DICs in the implementation of new schemes.

d. To assess the role of DICs in the implementation of new schemes.

e. To study the various types of financial assistances and incentives offered by the DICs and to evaluate the impact of these facilities on the SSEs.

f. To identify other problems being faced by the entrepreneurs in setting up their units and in their continuation.

g. To offer suggestions for improving the working of DICs and SSIs.

2.5: Scope of the Study

The study primarily aims at analysing and evaluating one important aspect of DICs viz., whether the DICs have been able to accomplish the purpose for which they have been established. For this purpose, only the DICs of Chitradurga and Davangere are covered. That means, only two DICs are taken of the purpose of this study. Further, in the light of a large number of beneficiary-units and the difficulty involved in contacting all of them, only 200 beneficiary-units, 100 from each DIC catchment area are covered for the purpose of this study. Besides, the study covers a period of five years from 1995-96 to 1999-2000 with the year 1999-2000 representing the current year.
2.6: Sources of Data and Research Methodology

The required and relevant data for the present study are collected from both the primary and the secondary sources. Primary data are collected from both the DICs and the beneficiary-units through the administration of well-structured questionnaires and also by contacting them personally. In order to make the data more reliable, counter checks are made with those connected with the DICs. Most of the data used in this study are collected through the face to face interviews with those concerned with DICs and the SSIs. Data are also tapped from such secondary sources as reports published by both the DICs and SSIs, government documents, records, journals, pomplets, brochures, notices, circulars, etc.

The method of analysis followed in this study is purely analytical. Statistical analysis of data is also made to make the study reliable and to have the proper interpretation of data. Both statistical and accounting tools such as ratios, percentages, trend analysis, etc. are used to evaluate the role of DICs on the development and growth of SSIs.

2.7: Chapter Scheme

The present study has been presented in seven chapters as presented below followed by a brief description.

I. Introduction

II. Research Design
III. Problems and Brief Profile of Sample Units

IV. District Industries Centres – A Brief Profile

V. Working of DICs (With Special Reference to Chitradurga and Davangere DICs) – An Evaluation

VI. Problems of DICs – An Evaluation

VII. Summary of Major Findings, Suggestions and Conclusion

The first chapter presents a brief description of SSIs, their performance and problems. It also presents briefly measures taken by the government to help the SSIs.

The second chapter viz., Research Design deals with a brief review of existing literature in the field, identifying the research gap that exists at present followed by objectives of the study, scope of the study, methodology, limitations, etc.

The third chapter viz., Problems and Brief Profile of Sample Units analyses various problems faced by the SSIs in Karnataka with special emphasis on units in Chitradurga and Davangere Districts. A brief profile of the sample units is also presented in same chapter.

Fourth chapter viz., District Industries Centres - A Brief Profile presents the profile of DICs very briefly highlighting their objectives, functions, limitations, etc.
The working of DICs of Chitradurga and Davangere Districts is evaluated from the viewpoints of a number of aspects in the fifth chapter viz., Working of DICs - An Evaluation.

In the sixth chapter viz., Problems of DICs – An Evaluation an attempt is made to analyse the problems of DICs and why they are not able to achieve the objectives for which they were established.

The seventh and the last chapter viz., Summary of Major Findings, Suggestions and Conclusion presents a summary of major findings of the study, and the suggestions offered for the purpose of improving the working of DICs which in turn improves the working of SSIs.

2.8: Limitations

The major difficulty which the Researcher faced is the non-availability of relevant data for some aspects, for some units and for some years. This compelled the Researcher to make necessary adjustments with the available data. Further, as stated earlier, the present Study aims at analysing and evaluating the working of DICs of Chitradurga and Davangere Districts. Hence, the study excludes a comprehensive study of other DICs and aspects except to the extent where these aspects are allied to achieve the primary objective. Besides, the Researcher does not claim that the coverage by means of personal contacts are exhaustive nor such a thing is possible. Personal interview method is adopted only to elicit the information and views from various parties who are concerned with, and interested in, the functions and working of DICs.