Chapter - VI

Introduction

Internal Problems, Lapses, Shortcomings, etc;
DICs are not using Appropriate Methodology to Carryout Industrial Potential Survey
No Reliable Sources of Information about the Availability of Human and Material Resources
Need for Strengthening Organizational Structure of DICs
Poor Project Appraisal Skills of DICs
Lack of Co-ordination among the DICs and other Agencies
Highly Biased in Favour of Urban Areas
Difficulty in Identifying Rural Entrepreneurs
Untrained DIC Officials
Lack of Storage Facilities
Inadequate Information about the Unit-holders
Lack of Intrastructural Facilities
Bribery
Political Interference

External Problems
Units are not Approaching DICs
Diversion of Fund
Poor Management
Faulty Planning by the Entrepreneurs and DICs Officials
Illiterate Entrepreneurs
Limited Powers to Sanction Loans
Engagement of Entrepreneurs

Conclusion

Summary of Chapter
CHAPTER - VI

PROBLEMS OF DISTRICT INDUSTRIES CENTRES – AN EVALUATION

6.1: Introduction

The District Industries Centres (DICs) Scheme was launched with the aim of promoting and developing small, tiny, cottage and village industries. In this regard, DICs are expected to act as a decentralised agency responsible for promoting industrialisation at the grass root by guiding and helping local entrepreneurs to take up technically feasible and economically viable projects. The DIC has been conceived as a single agency for making available all the required facilities and services under one roof to the rural entrepreneurs.

At the national level, the Development Commissioner, SSI, is the co-ordinator of the DIC programme. Each DIC is headed by a General Manager and he is assisted by functional managers and project managers who look after functional areas like economic investigation, research, extension and training, raw material, credit, marketing and village industries.

The DIC is conceived as a Single Window Agency at the district level for assisting entrepreneurs for obtaining various clearances and also for getting other kinds of assistance. The DICs are equipped to undertake economic investigation of the local resources and industrial potential of the districts. Arranging for the
supply of raw materials and assisting in marketing of the products manufactured by the entrepreneurs are also taken up by the DICs.

The DICs not only accord sanction for the setting up of industrial units in rural areas but also ensure close linkages with the rural development administration and specialised institutions. They are also entrusted with the operational responsibilities of the scheme of Prime Minister’s Rojgar Yojana (PMRY) at the district level.

Though the DICs are well conceived and playing significant role in the development of SSIs and artisan units, the DICs are suffering from a few number of lapses (on their own side), problems short-comings, limitations, etc., and they remained unsolved due to a host of reasons such as administrative lapses, apathy on the part of the entrepreneurs to make use of the benefits provided under various schemes, etc. The problems faced by rural industries vary from the jurisdiction of one DIC to another, from one district to another, from region to region, and from one period to another. In this background, some of the important lapses, problems, short-comings, etc., which are general to all DICs and specific to DICs of Chitradurga and Davangere are discussed below. These are analysed under two broad categories viz., (a) Internal and (b) External.

6.1.1: Internal Problems, Lapses, Short-Comings, etc

There are a number of internal problems, short-comings, etc., which can be overcome, to a larger extent, by the managements of DICs. They are,
therefore, controllable. Still the authorities have not been able to tackle these problems to serve the small industrialists better. Anyhow, an attempt is made in the following paragraphs to evaluate some of the important internal problems of DICs of Chitradurga and Davangere.

6.1.1.1: DICs are not using Appropriate Methodology to carry out Industrial Potential Survey

A comprehensive discussion held with different categories of people associated with the industrial activities revealed that the DICs of Chitradurga and Davangere are not using appropriate methodology to carry out industrial potential survey. Consequently, any action plan based on such survey is bound to run into rough weather. Because, the survey should be comprehensive enough to identify the type of products and/or services that can be manufactured locally by the localities using the locally and economically available resources for productive purposes. If it fails to do this, then it will not help the prospective entrepreneurs. Even if it does, it makes them to end up with failure. Hence, proper and comprehensive survey is a pre-requisite and necessary. Unfortunately, the DICs functioning in Chitradurga and Davangere have not lived up to the mark in this regard.

6.1.1.2: No Reliable Sources of Information about the Availability of Human and Material Resources

The small scale units are facing a number of difficulties in obtaining the required resources including raw materials and human resources. Consequently,
many a number of artisan-based units, after 1985, failed to survive beyond a couple of years. One the reasons for this pathetic situation is the inability of the unit-owners to obtain the required input factors. Because, they are not having full information about the sources of supply. And unfortunately, the DICs do not have reliable and up to date information regarding the availability of inventory of human and material resources. Further, the DICs are not able to monitor and follow up the sick artisans/entrepreneurs.\(^1\) Besides, the prospective rural entrepreneurs need advice and assistance from the professionals which the DICs have not been able to meet.

6.1.1.3: Poor Project Appraisal Skill of DICs

The project managers assuming the promotional role take up a wide variety of responsibilities such as identifying, persuading, educating and assisting entrepreneurs who are generally shy and tend to be over-cautious. However, most project managers suffer from poor project appraisal skills. They do not have sufficient training in this sphere. It has been observed that more than 50 per cent of the functional managers at the middle level are promotees from the ministerial position. It is, therefore, not rare to see the rural entrepreneurs trying to meet straightaway the general managers even for elementary guidance.

6.1.1.4: Lack of Co-ordination among the DICs and Other Agencies

The co-ordination among DICs, lead banks, district rural development agencies and block level administration is tenuous. Banks expect DICs to help them in the recovery of their loans. On the other hand, DICs blame banks for under-financing the units and this under-financing is, as per the DICs, responsible for the sickness in the small scale industrial units in the districts of Chitradurga and Davangere. Thus, lack of effective communication, role perception, unity in the approach, and collective priorities have turned out to be the major constraints in entrepreneurial development in rural areas of Chitradurga and Davangere districts. This type of absence of proper co-ordination can be found with other agencies also.

6.1.1.5: Highly Biased in Favour of Urban Areas

The DIC scheme is highly biased in favour of urban areas. Because, they are concentrating more on urban area rather than the rural area. Consequently, the rural industrialisation has been pushed to back seat defeating the very purpose of DICs.

6.1.1.6: Difficulty in Identifying Rural Entrepreneurs

For obvious reasons, identification of rural entrepreneurs is a difficult task. Because, the entrepreneurs are spread over vast rural area and they normally do not come forward to exhibit their skill. The TRYSEM-beneficiaries exhibit low aptitude for self-employment. They appear to be interested only in
stipend and subsidies. It is precisely for this reason that the projects launched by TRYSEM-beneficiaries are becoming sick within two years.

6.1.1.7: Untrained DIC Officials

Training is essential even for the officials and other employees of DICs in order to increase their skill, improve and up-date the knowledge. So far, the governments have not arranged for such type of training facilities to the them. Consequently, the officials and employees of DICs are unskilled and inefficient and the employees are not discharging their duties properly and satisfactorily. Majority of the officials of DICs of Chitradurga and Davangere are from other government departments on deputation. So they are not aware of the nature of works they are expected to perform in DICs. Since they are not properly trained, they are not in a position to discharge their duties satisfactorily and therefore, failed to provide necessary facilities and service to the entrepreneurs.

6.1.1.8: Lack of Storage Facilities

The problem of storage facility with the DICs for storing inputs to be distributed to SSIs and outputs of SSIs also needs proper attention as Chitradurga and Davangere districts are situated in hot weather. The industrial units in these districts depend upon the agricultural produces for their inputs. These commodities are perishable in nature. But the entrepreneurs require these commodities as their raw materials throughout year. So, the entrepreneurs approach the DICs for storage facility. Unfortunately, the DICs of Chitradurga
and Davangere have no such type of storage and cold storage facilities. Hence, the government should take proper steps to provide the storage facilities for both the districts.

6.1.1.9: Inadequate Information about the Unit-holders

Most of the units situated in Chitradurga and Davangere districts are established without getting any assistance from the DICs. Even after the establishment, the unit-holders are not getting much help from DICs as there is no adequate information about marketing, quality and other information with the DICs which can be much use to the SSIs in their production and sales activities. As a result, the DICs are failing in their duties and responsibilities.

6.1.1.10: Lack of Infrastructural Facilities

The DICs require infrastructural facilities for themselves like own building, road, official quarters, etc. Unfortunately, the DICs are far away from these facilities. It is interesting to note that DIC of Davangere is functioning in a rental building which is far away from the city. In this type of situation, it is very difficult for the DIC officials to Co-ordinate the activities with other agencies which are functioning from city. It is also posing many a number of difficulties to the entrepreneurs.

6.1.1.11: Bribery

A number of entrepreneurs complained that they have to tip the officials of DICs at all stages and they have to pay all the concerned agencies including
financial institutions, KSSIDC, KIADB, etc. Without payment of bribe, the files do not move from one table to another. Each corner of the office expects money from the entrepreneurs. Therefore, the entrepreneurs prefer to start their units without approaching the DIC officials for benefits. Consequently, the unit-holders are not receiving the benefits from DICs. That means, the benefits are not reaching the beneficiaries.

Further, DICs are not serious about, and prompt in, implementing various schemes formulated by the government for the benefit of SSIs. As a result, the unit holders are kept in dark about various facilities available to them. Further, the DICs set the target for each of a few parameters such as number of training programmes, amount of subsidy, number of units to be established, etc., without bothering to take steps promptly to achieve the same. Consequently, one can find the gap between the target fixed and actual result achieved.

6.1.1.12: Political Interference

Work of the DICs is not free from the political pressure as the politicians interfere in day-to-day activities of the DICs. The officials of the DICs, therefore, not able to do their work without fear of politics. In these circumstances, DIC officials have to do their work outside their track.

These are some of the important internal problems of, and short-comings in, the functioning of DICs. And it may be noted at this stage of analysis that most of these problems, short-comings, etc., can be overcome by the officials
and employees of DICs. Still, they are not doing anything towards this and therefore, it resulted in the continuance of the problems, short-comings, lapses, etc.

6.1.2: External Problems, Short-comings, Factors, etc

The DICs are also facing a number of external problems which are not easily controllable by the DIC officials and/or managements. Because, they are imposed by the outside agencies or environment. The important external problems, factors, etc., are discussed below.

6.1.2.1: Units are not Approaching DICs

The DICs of Chitradurga and Davangere are providing a number of assistances, benefits, subsidies and other facilities to be entrepreneurs. But majority of the small scale and artisan units which are established in rural areas are not approaching them for these facilities. Of course, this is due to a number of reasons including cumbersome procedure, inordinate delay, corruption, etc. Any how, the facilities which are made available to the SSIs by the government are not reaching them defeating the very objective of the scheme.

6.1.2.2: Need for Strengthening Organisational Structure of DICs

The organisational set up of the DICs needs to be strengthened. The DICs do not have full fledged managers for raw materials. A few managers working and looking after raw materials lack the professional expertise relating to the behaviour of market and prices. This explains the limited role of DICs and
the need for setting up of the much needed Rural Marketing and Service Centres (RMSCs). The National Commission of Backward Areas pointed out the tardy progress in this direction. Because, though the country requires over 5,000 RMSCs, only about 400 were set up to date.

6.1.2.3: Diversion of Fund

The initial investment on the small scale and artisans units comes mainly from borrowed funds which is borrowed from private money lenders and other financial institutions. The rate of interest charged by these money lenders is very high. In spite of this, small unit-holders use the fund meant for working capital financing for other non-productive purposes like, construction of office building, decoration, purchase of car, etc. It leads to sickness in SSIs. Still the officials of the DICs of Chitradurga and Davangere are not doing anything to prevent the diversion of funds by the entrepreneurs. Of course, it is a difficult task.

6.1.2.4: Poor Management

Lack of management competence has been one of the main causes of increasing sickness in the small scale sector. Many new entrants do not possess the requisite qualifications, training and experience in the fields of manufacturing, organisation and running of units. The problem has become more acute with the implementation of the self-employment schemes for educated unemployed youth. It is known, from many surveys, that the youths
are entering the small industry as finance is provided by banks and many other incentives by the governments. A survey carried out by State Bank of India recently revealed that the youths have neither motivation nor training from the DICs nor risk-taking capacity. Besides, the educational qualifications also do not suit them for the activity they launched upon. Further, it is learnt that many self-employed people enter the field as a stop-gap arrangement, and as and when they get some employment, they close the units without a second thought as they have no much stake in the units. In addition, many entrepreneurs enter into the field without any future plan and ultimately, they blame the DICs. The DICs are finding it very difficult to change the attitude of entrepreneurs to function more seriously and responsibly in their own interest.

6.1.2.5: Faulty Planning by the Entrepreneurs and DICs Officials

One of the important reasons for failure is faulty planning and improper appraisal of projects. No proper viability study, technical or economical, is carried out before the units are sponsored and established.

Even when detailed project reports are prepared, inexperienced entrepreneurs may build problem into their units from the inception stage itself. Even DIC officials are inexperienced as far as the issues pertaining to project reports are concerned. Consequently, the units get into trouble. It is interesting to note that as per the survey conducted by this Researcher in Davangere district, more than 28 per cent of the units became sick due to the faulty planning. In this connection, DIC officials should bear a part of the responsibility for not
guiding the entrepreneurs properly with respect to the preparation of project reports.

6.1.2.6: Illiterate Entrepreneurs

As per the survey, majority of entrepreneurs in Chitradurga and Davangere district had below P.U.C. level education. But, if there is some thing like industrial culture, it can only by massively and rapidly speed with education. Education is a social resource, which motivates a community into certain activities in preference to others. Education in an industrialising society is bound to be different from what it is in a predominantly agricultural society. After all, education is for equipping the young generation of today for facing the challenges of tomorrow. When industry depends on science and technology, as well as effective execution and management, the object and content of education must, in essence, be to appreciate the needs of tomorrow and to provide the requisite skills to fulfil these needs. The arch of industry would need the foundation of modern education that will support modern industry with the resultant industrial culture. Systems of education have, therefore, to be imaginatively and objectively evolved so as to stimulate and motivate the young men of the developing countries to face the risks in the small industry. The tasks have to be faced mostly by the individual entrepreneurs and therefore, the need for the right type of education relevant to these tasks is assuredly most imperative. Anyhow, the DICs have to deal with these illiterate entrepreneurs. Of
course, the DICs can fill this gap and can do a lot to transform them into good entrepreneurs through the training programmes.

6.1.2.7: Limited Powers to Sanction Loans

The entrepreneurs admitted that DICs are performing an important job in solving the financial problems of entrepreneurs. However, the General Manager of DIC is empowered for the sanction of loan only up to Rs.15,000 per unit which is very meager if one takes into account the financial requirements of industrial units. In this regard, it is necessary to delegate adequate powers to the General Managers of DICs to sanction loans up to Rs.50,000 per unit instead of Rs.15,000 as at present.

6.1.2.8: Engagement of Entrepreneurs

The entrepreneurs are not in a position to employ a large number of clerical and managerial staff and consequently, they have to look after many activities concerned with raw materials, marketing, finance, etc., in addition to management. Therefore, they remain engaged in pursuing their cases with various agencies like DICs, SICOP, Directorate of Industries and Commerce, Banks, etc. They complained that their work remains undone in these agencies in their absence. Their cases, though recommended by the DICs, are not treated on priority by the concerned agencies. The entrepreneurs stated that the system of DIC seems logical on paper. It is the involvement of various concerned agencies which can make DICs a living reality.
Conclusion

From the above analysis, it is obvious that there are a number of problems faced by the DICs. The DICs are state subject. If the government takes steps for the development of infrastructural facilities and reduce the problems, if not eliminated completely, the better future prospects of developing SSIs can be expected.
Summary of the Chapter

In this chapter, an attempt is made to analyse the problems in brief of DICs of Chitradurga and Davangere. These problems are analysed under two heads viz., Internal and External problems. A detailed analysis of the factors and parties responsible for poor performance of DICs was made which revealed that even the DICs themselves are responsible for their poor performance.