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CHAPTER VII

SUMMARY OF MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 Introduction

Karnataka State is economically a developing state with excessive reliance on agriculture. Unfortunately, this sector is ailing from many inhibiting factors like single crop season, small holdings, unremunerative prices for the agricultural produces, etc. Still, there is a heavy pressure on agriculture in the state as other sectors of the economy are less developed. The basic thing is, therefore, to improve upon the economic position of the state. This can be done by raising the production and productivity of primary sector which calls for modernisation of agriculture and lessening the pressure on it by industrialisation.

On the industrial scene, Chitradurga is a late entrant and Davangere has its own place in the history of Karnataka. However, the industrial units in Davangere district are loosing their dominance due to a number of problems associated with them. These problems include insufficient power, shortage of raw materials, poor technical know-how, lack of infrastructural facilities, poor management, and labour disputes. And these have prevented large and medium scale industries from coming up. Therefore, the thrust of development has been in the direction of SSIs. The SSIs are only the means of bringing the state and both the districts on the industrial map of the country. Keeping in view the
suitability of small scale units in the state, both the central and state governments have taken an important decision in 1978 to launch the programme of DIC.

DIC is a Government of India sponsored scheme. In Karnataka State, DIC programme has been launched in all the districts. The DICs provide a number of assistances to the unit-holders at district level both at the pre-investment and the post-investment stages. The services and facilities provided by the DICs include the identification of a suitable scheme, the preparation of feasibility reports, providing subsidies, incentives and other facilities under single roof. To review the DIC programmes and performance, various committees were formed at Central, Regional, State and District levels.

Since inception, DICs of Chitradurga and Davangere have been playing important role in the development of SSIs in the districts. However, the performance of DICs (of Chitradurga and Davangere) is not satisfactory and it is only moderate due to a number of reasons. A comprehensive study of their performance revealed a number of limitations, lapses, etc., on the part of DICs, and also that of other parties such as entrepreneurs, governments, etc. An attempt is made in the following paragraphs to present briefly the major findings of the study followed by the suggestions, to improve the working of DICs.

7.2: Performance of DICs, Chitradurga and Davangere

The guiding principle for industrialisation has been characterised with an emphasis on the development of small sector and rural artisanship. A wide network of institutional arrangements had been developed over the years and the
establishment of DICs has been the cal-de-sac of this network. Much water has flowed down with the establishment of DICs of Chitradurga and Davangere. The major findings and conclusion on the performance of DICs of Chitradurga and Davangere are presented under the heads: (a) Planning Role, (b) Entrepreneurial Development Programmes, (c) Promotional Role, (d) Financial Role, (e) Single Window Agency, (f) PMRY Programme, and (g) Organisational Structure.

7.2.1: Planning Role

a. The function of DICs (of Chitradurga and Davangere) initially starts with the survey of industrial potentials in the districts. Since the inception, four surveys of industrial potentials were conducted. The quality of these surveys was not of standard as they were conducted more perfunctorily with an element of virtual re-utilisation. Mere listing of types of industries was construed to be potential survey.

b. On the basis of the survey of industrial potentials, the DICs of Chitradurga and Davangere prepare the action plans for a block period and three such action plans were prepared by DICs with year-wise targets of units to be established and financial allocations. It was observed that the implementation of these action plans was never adhered to and these were found to exist merely on paper.

7.2.2: Entrepreneurial Development Programmes (EDPs)

The main thrust of DICs (of Chitradurga and Davangere) is on EDPs which mainly consists of motivation, development, entrepreneurship development and specific campaigns.
a. During the study period, 42 industrial motivation campaigns were organised which were attended by 3,521 participants. Out of 3,521 participants, 1,080 participants started their units representing a success rate of only 30.67 per cent.

b. Many a number of EDPs involving intensive training for 6 weeks each were conducted for 2,120 aspirants during for the study period and 920 aspirants started their units constituting 43.39 per cent of aspirants.

c. A few one-day specific campaigns were organised and the programmes were found to be not effective.

d. The analysis of social background of trainees revealed that it was highly polarised. Out of 2,120 trainees, 1,052 belonged to forward communities representing 49.62 per cent of all trainees, and 722 trainees of this group ventured into entrepreneurial task representing 57.30 per cent of entrepreneurs. However, the consoling feature was that the majority of trainees were from local areas. Further, it was observed that the programmes are gaining momentum, even though success rate is moderate.

7.2.3: Promotional Role

With a strong back of macro-level policies and infrastructural facilities including space and transport, the DICs of Chitradurga and Davangere have been promoting industrialisation in these districts. The important findings on the promotional role of DICs of Chitradurga and Davangere are presented below.

a. Out of 2,761 units established during the study period, 2,457 units are small units and 304 units are artisan units accounting for 88.89 per cent and 11.02 per cent respectively. The highlight of the progress in
units established is that the achievements were almost equal to the targets set in recent years.

b. The dispersal of units based on sectoral dimension revealed that most of the non-agricultural based units were concentrated only in Chitradurga and Davangere cities and their agglomeration.

c. The investment flows are more towards small units as against artisan units and this was mainly due to capital intensity of small units. During the study period, the small units had the investment flow of Rs.9,524.55 lakh.

d. During the period of study, the small scale units in the districts generated 12,649 job opportunities.

7.2.4: Financial Role

Though the DICs (of Chitradurga and Davangere) are primarily entrusted with the responsibility of promoting entrepreneurship, they are also expected to distribute the subsidies and arrange for financing in terms of margin money. In this respect, it was found that the total subsidy distributed during the period of study stood at Rs.1,190.09 lakh representing 12.5 per cent of total investment flow and the number of units having claimed the subsidies stood at 660 representing 23.90 per cent of small units established.

7.2.5: Single Window Agency

The avowed objective of Single Window Agency is to hasten up the promotional task of entrepreneurs by bringing together all the agencies involved in the promotion of industrial units. Concept of single window agency has been
implemented through file clearances by single window agency committee and land allotment committee. During the study period, the single window agency met 75 times and cleared 374 cases which constituted 13.55 per cent of the units established between 1995-96 and 1999-2000. Majority of the cases requiring clearances were found to be in the area of allotment of sheds. Further, the land allotment committee met 56 times and cleared 170 cases. The trend was that the cases coming before these two committees were on the increase signifying that the concept was received well.

7.2.6: PMRY Programme

a. During the period of study, the number of applications requiring assistance under the programme stood at 16,781 and the number of target-beneficiaries at 5,120. The total number of applications recommended for availing of the benefit stood at 7,356 constituting 143.67 per cent of the target and 43.84 per cent of the total number of applications received. However, the number of actual beneficiaries exceeded the targets for all the years under review indicating the popularity of the programme.

b. The total demand for financial resources by the prospective beneficiaries stood at Rs.5,025.05 lakh as against the actual benefit flow standing at Rs.1,727.75 lakh.

c. It was also observed that the majority of the beneficiaries numbering 1,866 accounting for 43.51 per cent of actual beneficiaries are engaged in business activities followed by industrial and service activities with their number standing at 1,480 and 942 constituting 34.51 per cent and 21.97 per cent respectively.
d. The benefit flow was found to be higher towards industrial activity and it was Rs. 779,056 lakh representing 45.09 per cent.

e. The hallmark of the programme was more number of applicants numbering 10,737 were from forward communities followed by SC/STs, women and minority groups. Further, it was observed that women were emerging as entrepreneurs on a wider scale with lukewarm response from SC/ST groups. But the notable feature was that the people with low social status were given preference in embarking on entrepreneurship under this programme in recent years.

7.2.7: Organisational Structure

Though organisational structure was well conceived, the functional managers had only engineering education and they had no knowledge in the areas of commerce, general management, marketing, business analysis, legal environment, financial management, industrial potential analysis, feasibility analysis, public relations and the like. Besides, they were found to be normally engaged in, or over-burdened with, guiding the prospective entrepreneurs in fulfilling official formalities.

7.3: The Impact

The DICs of Chitradurga and Davangere have to foster entrepreneurship as a big brother. The major findings of the study of impact of the working of DICs, Chitradurga and Davangere, as visualised by 200 respondents selected on the basis of stratified random sampling for this study, is presented under the
heads (a) Profile of Respondents, (b) Conceptualisation, (c) Implementation, (d) Operation, and (e) Role Perception.

7.3.1: Profile of Respondents

The main features of the respondents are presented below.

a. There are 96 entrepreneurs constituting 48 per cent of entrepreneurs and they are characterised by high economic status. There are another 82 entrepreneurs representing 41 per cent in the middle economic status. Hence, most of the entrepreneurs have substantially high economic status.

b. Majority of the entrepreneurs numbering 82 (41 per cent) are from forward communities.

c. From the viewpoint of educational level, there are 83 entrepreneurs (41.50 per cent) with pre-degree education.

d. Nearly 102 respondents representing 51 per cent of the respondents are with trading background.

e. Majority of the entrepreneurs numbering 138 had no formal training or induction before taking up the entrepreneurship and they account for 69 per cent of the respondents.

f. There is a heavy concentration of units in and around Chitradurga and Davangere cities and the number of entrepreneurs having established their units in these two cities stands at 105 representing 52.50 per cent of the units in the districts.
g. The investment pattern is oriented towards small entrepreneurs in the investment range of Rs.1.50 lakh to Rs.5.00 lakh and there are 124 entrepreneurs in this category constituting 62.50 per cent.

h. The occupational background of parents of the entrepreneurs leaned towards trading in case of 86 entrepreneurs constituting 43.00 per cent and 32 entrepreneurs had their parental occupation to be farming.

7.3.2: Conceptualisation

The DICs, Chitradurga and Davangere interact with the prospective entrepreneurs at the stages of conceptualisation, implementation and operation of the project. The main findings of the study in the conceptualisation stage are presented below.

a. To start with, the ambition of the respondents was investigated. There were 105 respondents constituting 52.50 per cent and they had the ambition to become industrial entrepreneurs. The ambition to take up business was found in case of 32 respondents representing 16.00 per cent. It was also observed that 10 respondents had no ambition of any sort but they landed in the present venture by chance.

b. Majority of the respondents developed the ambition to become entrepreneurs during adult-hood and it was followed by occurrence of ambition during teenage.

c. From the view point of sources of idea generation, family environment was the source for 62 respondents and it was followed by 46 respondents getting idea from DICs of Chitradurga and Davangere. The knowledge of incentives and subsidies was not the source of idea generation for most of the respondents except 18 respondents.
d. In terms of preferences given to different sources of idea generation, the most preferred factor was friends and relatives, and even the family environment had almost the same weightage. The DICs of Chitradurga and Davangere as the sources of idea generation was rated fourth.

e. The relationship between the sources of idea generation and social background of respondents, the upper caste groups had their sources from their internal environment as against the lower caste groups relying upon the institutions.

f. Higher the education level of respondents, lower was the dependence on DICs for idea generation and vice-versa.

g. From the view point of occupational background, the respondents were almost evenly distributed while stating about the sources of idea generation.

h. Regarding selection of Chitradurga and Davangere districts for the location of their units, the most preferred factor was the availability of land and sheds backed by nativity. The government concessions had only moderate effect. The least preferred factors were found to be cheap labour and market potential.

i. The selection of product line was basically influenced by the magnitude and priority in lending money by the financial institutions and this factor was followed by traditional occupation. Surprisingly, profitability was not the important criterion for the selection of product line.

j. The most important factor influencing the decision about the location of the units and type of product line was found to be the publicly available information. However, the decision on the type of activity
was basically influenced by friends and relatives, and it was followed by DICs, Chitradurga and Davangere.

k. Nearly 112 respondents representing 56 per cent underwent the training programmes and/or motivation campaigns as against 88 respondents directly taking up the entrepreneurial task.

l. From the viewpoint of exposition to awareness programmes, it was found that:
   - higher the economic status, lower the exposition.
   - lower the educational level, higher the exposition.
   - higher the social status, lower was the exposition.

m. The most important reason for non-participation in awareness programmes was found to be the poor quality of training programmes and it was followed by the opinion of possessing the knowledge already and lukewarm attitude of officials as the factors for non-participation.

7.3.3: Implementation

During the implementation stage, the relevance of project reports, the role of incentives and the effectiveness of institutional participation were examined. The following are the major findings.

a. The private agencies were the main sources for preparing the project reports and it was followed by the group of self-preparers. Only 60 respondents, out of 120, got their project reports prepared with the help of DICs, Chitradurga and Davangere.

b. The relationship between the sources of preparing the project reports and economic status was that the higher the level of economic status,
more was the tendency to get the project reports prepared by outside agencies.

c. The outstanding reason for having not approached the DICs, Chitradurga and Davangere for getting the project reports prepared was the delay in the preparation of reports and it was followed by the reasons of low quality of reports, obsolete data, absence of database, and poor knowledge of the officials.

d. Out of 200 respondents, 18 respondents claimed the subsidies and the remaining 182 respondents did not claim the subsidies because of lapse of time or their un-willingness. Majority of the respondents did not claim other incentives also (like sales tax exemption) because they felt that the incentives were not significant.

e. Majority of the respondents having claimed the benefits experienced the delay in the payment. The important reason for the delay was found to be the administrative hitches deliberately caused by the officials.

f. Majority of the beneficiaries of the subsidies opined that they were useful or moderately useful. However, the degree of usefulness was inversely related with the investment level in the sense that higher the investment level, lower was the usefulness of subsidies.

g. From the viewpoint of involvement of different agencies in implementing the projects, it was observed that the DICs, Chitradurga and Davangere have confined their task to the issue of PMT only relegating their co-ordinating role to the background. However, it was observed that the commercial banks were very positively rated in the successful implementation of the projects.
7.3.4: Operation

Various institutions are expected to lend their help during the operation stage also. This was analysed from the view point of relevance of project reports and the effectiveness of institutional participation. Nearly 127 respondents (63.5 per cent) felt that the projects reports were not relevant at the operation stage and it was prepared only as a formality. From the view point of institutional participation, the only consoling factor was in the case of getting the additional working capital from the commercial banks. Virtually, the effectiveness of participation of DICs during operation was either deplorably poor or the respondents themselves shouldered many of these operational problems resulting in dormant role of these institutions which were perceived as shock absorbers for the industrial units.

7.3.5: Role Perception or Work Ethics of DIC Officials

An attempt was also made to determine the overall assessment of the role of DICs, Chitradurga and Davangere from the view point of the involvement of the respondents in achieving the laudable objectives for which the DICs were established on the one hand and the visualisation of work ethics of DIC officials, Chitradurga and Davangere, on the other. It was observed that a sort of lethargic receptivity was the hallmark of many respondents leading to the side tracking of the objectives for which they were induced and nurtured. The perception of the level of work ethics was observed to be decreasing and it was at the low ebb in the officials of DICs, Chitradurga and Davangere.
7.4: Suggestions

In the light of the above findings, the following measures are suggested for the efficient functioning of DICs in the state in general and DICs of Chitradurga and Davangere districts in particular.

7.4.1: Entrepreneurship

Entrepreneurship should be developed by both proper education and training. Educational system should be devised in such a manner which would give a fillip to the pace of industrialisation. Training should focus on imparting entrepreneurship to the educated unemployed youths so that they are trained and available to take up their own ventures. To meet this, the following suggestions are offered.

a. In order to develop awareness in the minds of the people regarding the package of assistance/incentives being offered by DICs and other concerned agencies, Entrepreneurship Development Programme (EDP) Cells should be established in the educational institutions to educate and encourage the students to establish their own ventures. Further, the EDP should be made a part of course curriculum.

b. Fully trained and experienced officials should be selected for imparting training under such programmes. Even the experienced unit-holders should be invited to impart training so that they may train the youths out of their experience in practical field.

c. These programmes should be well propagated and it should be made obligatory for all potential entrepreneurs to attend such programmes before the establishment of their own units.
7.4.2: Women and Handicapped Entrepreneurs

Women and handicapped entrepreneurs should be treated by financial institutions and other agencies on priority basis so that more and more women and handicapped persons come forward to establish their own units. In this regard, a part of all types of assistances should be earmarked for the women and physically handicapped entrepreneurs.

7.4.3: Training Programmes

a. The rates of stipend given to entrepreneurs during different types of training should be enhanced to attract more and more entrepreneurs for training courses.

b. Management courses should be organised by the DICs. The courses are recommended for short duration so that managers may not feel any sort of problem in attending the courses. Some experienced private consultants having expertise in various managerial areas should also be invited for the courses so that entrepreneurs may be benefited from their experience and knowledge.

7.4.4: Establishment of Labour Intensive Units

To meet the growing challenge of unemployment in the state and also to relieve the pressure on agriculture, it is suggested that the small units having more employment potential per unit should be established. Such industries are mineral base industries and units manufacturing machinery parts except electrical and beverages as revealed by the study. It is further suggested that the
state plans should be made after wide consultations and co-ordination in order to ensure balanced development and optimum use of available resources by encouraging the growth of such units as they are better suited to the economy of the state.

7.4.5: Dispersal of Units

Though the DICs have been playing a commendable role in the growth of industries, the development has been lopsided. Regional imbalance has been found from the view points of dispersion of units, investment, employment and annual production. Therefore, the following suggestions are offered.

a. The DICs should take all steps for the dispersal of industries to other districts of the state and also to different parts of the districts. For this purpose, the DICs should identify the industries having scope for development in other districts of the state and other parts of the districts.

b. Special treatment for less-developed and for newly established districts should be given by making easy availability of finance, raw materials and other government patronage.

7.4.6: Finance

It has been found that the problem of inadequate finance has remained one of the serious bottlenecks with the emerging units. To overcome this, the following measures are suggested.
a. Co-ordination: There should be a proper co-ordination between DICs and the financial institutions. It has been found that both these agencies have different sets of norms for the financial appraisal of the cases. As a result, a lot confusion, delay and red-tapism has been created. It is, therefore, suggested that both should evolve a common strategy for the financial appraisal of cases.

b. Priority Sector: It is ironical to find that small scale sector, though declared as a priority sector, does not get the due treatment from the lending institutions. To arrest this tendency and to accord due and rightful place to this sector, it is suggested that financial agencies should provide the advances by keeping their commitments. In this connection, Reserve Bank of India should direct the financial institutions to adopt a suitable credit policy by setting aside a fixed percentage of their loanable funds for purpose of advances to small scale units. The percentage should be determined after taking into account the loan requirements of the small units. In this regard, the Action Plans prepared by the DICs should form the base. The financial institutions should provide the loans to small scale units at least to the extent of targets fixed.

c. Realistic Appraisal of Feasibility Reports: The DICs should make efforts to ensure the preparation of realistic feasibility reports. Because, the financial institutions make allegations that DICs do not take sufficient care while preparing feasibility reports as a result of which they find it difficult to finance the units. This allegation is, however, refuted by the DIC officials who pass on the blame to the lending institutions. The allegations and counter allegations go on and finally, the entrepreneurs are victimised. Therefore, it is suggested that both the DICs and financial agencies should adopt a realistic as well as humanistic approach in dealing with the unit-holders so as achieve the common goal.
d. **Recovery of Advances:** Recovery of advances is an important duty of the lending institutions and DICs have no role in recovery process. The present position of recovery of advances is quite dissatisfactory due to a variety of reasons already pointed out. However, the Researcher feels that in case the DICs are also involved in the task of recovering the advances, the position will be somewhat better.

e. **Reducing the Time Gap:** The time gap between the DIC recommendation and actual sanction of loans by financial institutions is too long. This gap should be brought down. For this purpose, the lending institutions should simplify their lending procedure and dispose off the applications within a reasonable period of time. Similarly, the borrowing units must also comply with all the pre-sanction requirements so that nothing remains wanting at the time of sanctioning of the loan. A proper counselling and information is, therefore, needed which DICs should arrange for the larger benefit of entrepreneurs/loanees.

### 7.4.7: PMRY Scheme

The Researcher wishes to offer the following suggestions regarding PMRY schemes so that the usefulness can be improved.

a. **Simplifier of Procedures:** The present procedure of recommending the cases of entrepreneurs under PMRY programmes is defective. For example, the unit-holder has to pay huge amount by way of goodwill, advance rent and incur expenses on decoration, etc. Hence, it is suggested that insistence of producing the rent deed should be waived off. In this connection, it is also suggested that shopping complex should be established by the DICs for allotment to candidates under PMRY programmes.
b. **Enhancing the Limit of Loans:** In order to make PMRY programmes more successful, the limit of loans should be increased. Because, the limit of loan prevailing at present is same as it was fixed during 1991 though the prices have gone up considerably.

c. **Exemption from Margin Money:** The DICs provide margin money loan to the extent of 15 per cent of the loan sanctioned by the banks under self-employment scheme. This is not in tune with the central scheme of PMRY under which the unit-holders are fully exempted. The Researcher, therefore, feels that this would help in boosting the tempo of industrial activity among educated unemployed youths in case they are exempted from the payment of margin money.

7.4.8: Raw materials

Regarding raw-materials, the following suggestions are offered.

a. **Setting up of Raw Material Banks:** Each DIC should have its own Raw Material Bank in order to supply raw-materials of required quality and quantity when needed by the unit-holders. The establishment of these banks will also put the procedural delay to an end and the main function of providing facilities to the unit-holders under one roof under DIC set up can be achieved. The raw material requirement should be properly assessed and the continuous supply of the same should be assured. This may be possible by enhancing the share of raw materials for Karnataka State as well as for Chitradurga and Davangere districts which are industrially depressed. However, strict vigil of DICs on the units is strongly recommended so that the raw materials allotted to the units are not be misused.

b. **Avoid Procedural Delay:** At present, the General Managers of DICs recommend the cases to Directorate of Industries and Commerce which in turn recommend the cases to various agencies like, MMTC,
SAI, SFC, etc., for the supply of raw-materials to units. In order to cut short this procedural delay, it is suggested that General Managers of DICs should be empowered to recommend the cases directly to the concerned agencies for the supply of raw-material.

c. **Raw-Material for Electronics/Electrical and IT Units:** Presently, Karnataka is the home town for information technology, electronic and electrical industries but unfortunately, at present the SICOP, KSIMDC, etc., do not deal with the raw-materials as required by these industrial units. Therefore, it is suggested that immediate steps should be taken for the distribution of raw materials like anemeld copper wire, lumination (core), spare parts of transformers, etc.

d. **Exemption From Sales Tax:** The raw-materials required by the small scale sector should be exempted from the sales tax as is the practices in West Bengal, Goa, and Maharastra.

7.4.9: Marketing

a. **Sales Promotion Campaigns:** The DICs should undertake the responsibility of organising sales campaign on behalf of, and for the benefit of, unit-holders in order to attract more and more customers. A separate cell within the DIC would prove to be of much help to the unit-holders. Alternatively, the unit-holders should be given subsidy to the expenses being incurred by them in advertising their products.

b. **The Indian Standards Specifications:** The Indian Standards Specifications are of valuable guidance to unit-holders to adhere to the quality of the products. A unit-holder obtains the ISO mark in order to assure the customers that its products are in accordance with these standards. In the same way, DICs should ensure production of
quality products on the pattern of ISO and allot suitable trade-marks and labels to check the flow of inferior products.

c. **Participation in Central Government Purchase programmes:**
Large number of unit holders in the small scale sector in Chitradurga and Davangere districts are not participating in the central government purchase programmes. Because, most of them do not have any idea about the central government schemes. So, unit-holders be assisted and informed to take part in the purchase programmes of central government. Further, it is suggested that SICOP should be authorised to inspect the goods on behalf of Director General of Supply and Disposals as per its specifications in order to put procedural delay to an end.

d. **Organisation of Seminars, Campaigns, Melas, etc:** DICs should organise motivational campaigns, seminars, and melas at the district levels. Awards should be given to unit-holders showing maximum production and higher sale of their products.

e. **Assistance for Exports**

* DICs should extend the assistance in the field of exports. In this connection, the function of DICs interalia should include dissemination of information about the foreign markets and consultancy services in the matters of export procedures and package of incentives being offered by the governments.

* DICs should identify the small scale units already possessing necessary equipments and skills to undertake the production of items having export potential.
* DICs should organise training programmes, meetings and seminars on export promotions maintaining liaison with concerned export development agencies.

7.4.10: Power

In order to overcome the problem of power, the following suggestions are offered.

a. Instead of providing subsidy on diesel generator to small scale units, DICs should establish high power generator sets in Industrial Areas and Industrial Estates in the districts.

b. Running subsidy of fuel consumed by entrepreneurs in operating generator sets should be provided to them and sufficient stock of fuel should be maintained by the government especially for units in rural area for summer period.

c. The state government should ensure an uninterrupted power supply at least for working hours. The voltage of power supply should be 400-440w according to the requirement of unit-holders so that efficiency of machinery is not adversely affected.

7.4.11: Vigil on Units

The field staff of DICs should keep constant vigil on the activities of the units. The liaison between DIC officials and entrepreneurs will ensure the overcoming of many problems before they may go out of hand. Field staff should bring the problems of entrepreneurs into the notice of concerned officials of DICs without any delay and remedial measures should be taken in time so that
units may not become sick as otherwise they may have to be admitted to emergency ward.

7.4.12: Rehabilitation Targets

There are many problems being experienced by existing entrepreneurs. Keeping in view these problems, ‘Registration Targets’ should not only the means for bringing the state on the industrial map of the country. In this connection, it is suggested that “Rehabilitation Targets” should be fixed for each district in the state especially in Chitradurga and Davangere districts for the rehabilitation of sick and closed units. In addition to this, “Rehabilitation year” should be celebrated in each year of the Five-Year Plan.

7.4.13: Subsidies

During the field survey, the entrepreneurs stated that they feel it better to forego various subsidies and concessions on the reason of corruption and procedural delay. Therefore, the procedural delay in the payment of subsidies, incentives, etc., can be avoided by adjusting this amount (payable to SSIs) against the dues payable by the unit-holders in the form of electricity charges, rent, sales tax, etc., as has been done by the Central Excise Department under MODVAT scheme. This not only helps the unit-holders but also reduces the administrative work as well.
7.4.14: Supply of Machinery on Hire-purchase Basis

Karnataka Small Scale Industries Development Corporation should undertake the supply of machineries on hire-purchase basis on the lines of Uttar Pradesh State Small Scale Industries Development Corporation which provides machineries on hire-purchase basis to small units in Uttar Pradesh in collaboration with the State Bank of India. And National Small Industries Corporation (NSIC) performs this function at the national level. Alternatively, the present procedure for procurement of machineries from NSIC should be revised. In this connection, it is suggested that the forms for purchase of machineries on hire-purchase basis from NSIC should be made available in the offices of each DIC. The General Managers of DICs should be authorised for the submission of these forms directly to the Office of NSIC. The applications should be considered by NSIC for the supply of machineries on the recommendation of DICs.

It is further suggested that NSIC should set up its office in all the divisions of the state as it has established in Bhopal and Raipur in Madhya Pradesh. These offices in Karnataka should be equipped with sufficient staff of field inspectors who should work in close co-operation with DICs and other concerned agencies in the state.
7.4.15: Establishment of Industrial Estates/Area

Land can prove to be an important motivational factor to attract more and more people for the establishment of their own units. Unfortunately, in Davangere district, only two taluks have the industrial area and estates. The remaining four taluks have no industrial areas and estates. And in Chitradurga district, only the Chitradurga and Hiriyur taluks have the industrial area and estates. Therefore, more land should be acquired by the government and put under the management of DICs for allotment to the entrepreneurs. Alternatively, there should be a provision under which if ten or more small prospective entrepreneurs approach the state government for the establishment of units, the government should set-up Industrial Area/Estate as provided by the neighbouring state of Andra Pradesh.

7.4.16: Modernisation of Industrial Estates

The industrial estates in the state as well as in Chitradurga and Davangere districts do not meet the requirements of modern industrial estates. They are deficient in many necessary inputs like lack of drainage system, dispensaries, communication facilities, street lights etc. Efforts should, therefore, be made to provide all infrastructural facilities within the industrial estates/areas.

7.4.17: Resumption of Central Outright Investment Subsidy

The Government of India has discontinued this scheme. In Karnataka State, there are a number of industrially backward area, and therefore, the state
cannot afford to stop the grant of such subsidy. Because, the past experience has proved that this is helpful in industrial promotion. Therefore, the resumption of this subsidy is suggested by the Researcher.

7.4.18: Evenly Distribution of Units

The dominance of a few industrial lines like, Food, Hosiery, Cotton, Oil, Wood, Metal, Repairing, etc., still continue in the state as well as in Chitradurga and Davangere districts. Keeping this in view, steps are required to be taken by DICs for even distribution of industrial product lines.

7.4.19: Definition of Small Scale Units

a. In the present definition of small scale units, the existing monetary limit tends to discriminate in favour of units using old plant and machinery as against the use of new plant and machinery as the investment limit for both the types of units is same. It is, therefore, suggested that the investment limit should be more in favour of units using new plant and machinery as against the units using old plant and machinery.

b. The policy of revision has been based on adhocism. In order to dispense with the policy of adhocism in revising the investment limit, it is suggested that the government should insert a cost escalation clause in the definition of small scale units which will take into account more systematically than ever before the effects of mounting inflation on the official definition of small industries. A suitable Indexing Formula can be evolved for practical purposes keeping in view the current cost of plant and machinery with reference to a particular year. The monetary limit to small industry under the new
scheme will shift automatically once the index crosses a particular level. When there is an increase in price index of plant and machinery, say by 5 per cent, there should be a corresponding increase in the investment limits set out for defining small units.

7.5: Conclusion

With a view to promote the industrial activities in rural area, to reduce unemployment problem, to lower regional imbalances, etc., the governments have taken a number of measures. One such decision was to establish DICs at the head-quarters of each of the districts. The DICs are expected to promote the establishment of, and growth in, the SSIs by providing all the necessary helps to the small industrialists under one roof. As far as the working of DICs are concerned, there is a mixed response – both satisfactory and non-satisfactory. For the unsatisfactory performance of DICs, both the DICs, entrepreneurs—beneficiaries, participating agencies, governments, etc., are responsible. Hence, the Researcher is of the firm opinion that if the suggestions offered above are implemented seriously, the performance of DICs, SSIs and that of the economy as a whole will improve to an appreciable level.