CHAPTER - IX

SUMMARY AND CONCLUSIONS
Introduction

In the foregoing chapters, we have analysed the role and problems of SSIs, various promotional facilities which are commonly available to SSIs of the state, incentives and concessions available to SSIs of backward areas, extent of availment of incentives and facilities, their adequacy, problems related to the availment, results of the field study conducted in Mysore district and Peenya Industrial Estate, impact of incentives and facilities on the growth of SSIs in the state in general and in the backward districts in particular. In this chapter, to begin with, we shall summarise the main findings of the study and then highlight the gaps in the present strategy and suggest measures for further intensification of efforts for the promotion of SSIs in the backward areas.

The principal findings of the study are summarised in the following paragraphs:

1. Role and Problems of SSIs

SSIs have been assigned an important role not only in developing countries like India but even in industrially advanced countries. The accent on promotion of SSIs in the policy measures of Government of India and Karnataka Government springs mainly from the fact that they help to develop backward areas, utilise locally available resources,
serve the needs of local demand, create more employment opportunities, avoid over-concentration of income and wealth among a few industrial houses etc.

SSIs coming up in backward areas face a number of problems such as problem of finance, non-availability of technical assistance, raw materials supply, problem of suitable factory shed, transport and communication problem, marketing problem etc. Because of these problems, SSIs cannot come up, grow and flourish in the backward areas.

2. Institutional Set Up

In order to help SSIs to overcome their handicaps and to provide the needed input support, there is a vast and even costly institutional set up in the State created by Government of India and Karnataka Government. This institutional set up is meant for providing a wide range of assistance for the promotion of SSIs at different stages ranging from selection of product line to marketing of the final product.

3. Institutional Finance for SSIs

(a) Development and Working Capital Loans of the State Government for SSIs in Karnataka

During the period between 1983-84 and 1987-88, of the total amount of development and working capital loans of State Government to SSIs, Rs.1138.95 lakhs was sanctioned, and Rs.711.93 lakhs was disbursed to SSIs of
backward districts accounting for 63.78% in the sanctions and 61.44% in the disbursements. During this period, the amount of development and working capital loans sanctioned and disbursed to non-backward districts was Rs.646.62 lakhs and Rs.446.91 lakhs respectively accounting for 36.22% in the sanctions and 38.56% in the disbursements.

In the matter of both sanctions and disbursements of development and working capital loans, the SSIs of Bangalore district have been the major beneficiaries. The SSIs of Dakshina Kannada, Tumkur, Mysore and Dharwad districts, in that order have been the next highest beneficiaries. The SSIs of Uttara Kannada, Bijapur, Chickmagalur, Hassan and Kodagu districts have occupied the last five positions in the availsment of these loans.

(b) Commercial Banks' Finance

The performance of commercial banks in Karnataka in credit assistance to priority sector, and within the priority sector to SSIs, is quite impressive.

In accordance with the policy of regional dispersal of industries, the advances of commercial banks to SSIs of backward districts are increasing. The outstanding credit of commercial banks to SSIs of backward districts increased from Rs.3151.72 lakhs in June 1976 to Rs.40564 lakhs in September 1988 and the proportionate share of backward districts to the
total increased from 32.51% in June 1976 to 50.28% in September 1988. During this period, the outstanding credit of commercial banks to SSIs of non-backward districts increased from Rs.6541.14 lakhs to Rs.40094 lakhs. But the proportionate share of these districts to the total decreased from 67.49% to 49.71%.

The SSIs of Bangalore district have been the major beneficiaries from the credit assistance of commercial banks. The SSIs of Dakshina Kannada, Bijapur, Belgaum and Dharwad districts have in that order received the next highest amount of credit. The SSIs of Bidar, Kodagu, Kolar, Chickmagalur and Mandya districts have occupied the last five positions in the availment of credit from commercial banks.

(c) **Financial Assistance from the Karnataka State Financial Corporation to the SSIs of Karnataka**

It has been the policy of KSFC to increase its financial assistance to the SSIs of backward districts. During the period between 31st March 1976 and 31st March 1988, the cumulative sanctions and disbursements of loans by KSFC to the SSIs of backward districts increased from Rs.808.99 lakhs to Rs.18329.99 lakhs and from Rs.617.38 lakhs to Rs.14324.59 lakhs respectively. The proportionate share of sanctions to the SSIs of backward districts in the total increased from 31.77% to 43.31% and the proportionate share of disbursements increased from 30.88% to 42.87%. For the SSIs of non-backward
districts, during this period, the cumulative sanctions and disbursements increased from Rs.1736.95 lakhs to Rs.23988.16 lakhs and from Rs.1381.09 lakhs to Rs.19095.98 lakhs respectively. But the proportionate share of sanctions and disbursements decreased from 68.23% to 56.69% and from 69.12% to 57.13% respectively.

The SSIs of Bangalore district have been the main beneficiaries from the credit assistance of KSFC. The SSIs of Mysore, Dharwad, Tumkur, Belgaum and Dakshina Kannada districts have been in that order the next highest beneficiaries from KSFC.

The SSIs of Gulbarga, Bijapur, Uttara Kannada, Chickmagalur and Kodagu districts have occupied the last five positions in the availment of credit assistance of KSFC.

d) Refinance Assistance of the Industrial Development Bank of India for Small Scale Sector of Karnataka

Eventhough, Karnataka is one of the major beneficiary states of the financial assistance from IDBI, the refinance assistance provided to small sector is lower than the assistance provided to medium and large scale units of the State. Now Small Industries Development Bank of India (SIDBI) is working as an apex bank exclusively for the Small Units of the country.
Eventhough public financial institutions have helped to meet the financial needs of SSIs in sizable quantity, the financial problem of SSIs is not fully solved. SSIs coming up in backward areas find it difficult to get the required amount of credit due to the following important reasons:

(1) Procedural difficulties,
(2) Lack of co-ordination among financial institutions,
(3) Multifarious lending activities of financial institutions, and
(4) Shortage of funds with the branches of commercial banks located in backward areas.

4. Non-financial Measures

I Promotional Measures

(a) Industrial Estates Programme of the Karnataka State
Small Industries Development Corporation (KSSIDC)

Of the total 3721 sheds of the State as on 31st March 1988, 1691 (45.44%) were located in 48 industrial estates of backward districts and 2030 (54.56%) were located in 40 industrial estates of non-backward districts.

Bangalore district has the highest number of 1433 (39.85%) sheds located in 17 industrial estates. Dharwad, Mysore, Dakshina Kannada, Belgaum districts have in that order the next largest number of sheds in the state.
Many of the sheds constructed in the backward areas are lying vacant for want of facilities such as power connections, good approach roads, communication facility, watch and ward, water, etc.

Many of the industrial estates of backward areas of the state have failed due to absence of industrial environment. Small size of industrial estates is another reason for their failure. Small sized industrial estates are uneconomical and therefore, common facilities cannot be provided in those estates. Without common facilities, SSIs cannot grow and flourish.

(b) Industrial Areas of the Karnataka Industrial Areas Development Board (KIADB)

Since its inception up to 31st March 1988, KIADB has notified 76,629.93 acres of land, acquired 29942.14 acres of land, and developed 14228.47 acres of land in its 53 industrial areas. Of the 14228.47 acres of land developed, 8126.97 acres (57.12%) are in backward districts and 6101.50 acres (42.88%) are in non-backward districts.

The highest area of 4519 acres of land (31.76%) has been developed in Bangalore district. The next highest area of 2966 acres of land (20.84%) has been developed in Mysore district. Dharwad, Bidar, and Dakshina Kannada districts
occupy the next successive positions in the land developed by KIADB. Hassan and Gulbarga districts occupied the last two positions in the land developed by KIADB.

Like industrial estates, many of the industrial areas also do not have adequate infrastructural facilities. SSIs coming up in backward areas are not given adequate concession in the price of land. The entrepreneurs complain that the cost of development of industrial areas by KIADB is exorbitant. SSIs located in the industrial areas of backward regions are at a disadvantage in the availment of Government administrative services. Therefore, there is need for giving preference in clearing the applications of SSIs located in backward areas.

(c) Supply of Machinery on Hire Purchase Scheme

Due to shortage of funds, KSSIDC has completely stopped the scheme of supply of machinery on hire purchase basis. However, during the period between 1962 and 1980, the KSSIDC assisted about 100 SSIs with an amount of Rs.26.80 lakhs under the scheme.

The SSIs of Karnataka have not been much benefitted from the National Small Industries Corporation (NSIC) under the scheme. Since the inception of the scheme by NSIC upto 31st March 1988, the value of machinery supplied to the SSIs of Karnataka amounted to Rs.8.01 crores. The largest assistance
has been made to SSIs of Tamil Nadu, followed by Union Territory-Delhi, Uttara Pradesh, Maharashtra, West Bengal and Kerala.

The assistance under this scheme is not known to many of the entrepreneurs located in the backward areas and hence they have not been able to avail themselves of this benefit. The SSIs located in Bangalore district have been the highest beneficiaries under the hire purchase scheme of NSIC.

(d) Extension Services of Small Industries Service Institutes (SISIs)

During the period between 1975-76 and 1987-88, SISI network of the State has extended 69587 technical consultancy services, 41397 economic/statistical services and 91461 other services for the benefit of SSIs of the State. The SISI network has also assisted in the starting of 32957 SSIs in the State.

Under workshop and laboratory assistance programme, the SISI network has executed 22560 common facility services for the benefit of 16,654 units, 86 tool room jobs for the benefit of 74 units, 1667 testing jobs for the benefit of 1317 units and 904 other development jobs for the benefit of 957 units of the State.
Under entrepreneurial training and development programme, the SISI network has conducted 331 technical training programmes for the benefit of 6838 entrepreneurs, 58 managerial training programmes for the benefit of 1835 entrepreneurs, 121 EDPs for the benefit of 6957 entrepreneurs.

Under the ancillary development programme 299 SSIs and under sub-contract exchange programme 2721 SSIs have also been assisted by SISI network of the State.

(e) Technical Consultancy Services of the Technical Consultancy Services Organisation of Karnataka (TECSOK)

As on 31st March 1988, of the total 86056 SSIs of the State, 2297 SSIs (2.67%) were registered with TECSOK. Upto that date, TECSOK had prepared 1189 project reports/feasibility reports, 52 market survey reports, 108 sick industry appraisal/modernisation reports, 38 techno-economic survey reports for the benefit of SSIs of the State. Also, TECSOK had conducted 82 entrepreneurship development programmes and 37 management development programmes for the benefit of 2937 Small Scale entrepreneurs of the State. Under its export training programmes, 579 entrepreneurs were benefitted.
(f) **Tool Room and Training Services of the Government Tool Room and Training Centre (GTTC)**

Since the inception of GTTC up to 31st March 1988, GTTC made available 9596 tools/jobs for the benefit of 4597 SSIs of the State.

(g) **Raw Materials Assistance**

The performance of NSIC in the field of raw materials supply in the State is negligible. The KSSIDC has been supplying raw materials like iron and steel, pig iron, coal and coke, paraffin wax, palm fatty acid, copper, brass, lead, tin, zinc, indothene, koylene, indowin which help SSIs of certain industry groups such as engineering, ferrous/non-ferrous, chemical, electrical only. There are large number of SSIs located in backward areas belonging to other industry groups which do not have the facility of availing themselves of raw materials from KSSIDC. The turnover of KSSIDC under raw materials assistance programme increased from Rs.162.44 lakhs in 1975-76 to Rs.1426.20 lakhs in 1987-88.

(h) **Marketing Assistance**

As on 31st March 1988, of the total 86056 SSIs of the State, only 850 (0.99%) units have registered with the Karnataka State Small Industries Marketing Corporation (KSSIMC) to obtain marketing assistance. During 1978-79, the turnover of KSSIDC under marketing assistance scheme was
Rs.5.73 lakhs. KSSIMC commenced marketing assistance programme from December 1984, and its turnover under the programme as on 31st March 1988 was Rs.907 lakhs.

The marketing assistance of NSIC to SSI s of Karnataka has not been substantial. During the year 1986-87, the total DG & D order for the SSI sector of the country was Rs.284.49 crores, of which the share of SSI sector of Karnataka was Rs.2.73 crores accounting for less than 1% of the total DG & D order of the country. During the year 1987-88, the total DG & D order for the SSI sector of the country was Rs.368.34 crores, of which the share of SSI sector of the State was Rs.2.57 crores accounting for 70% of the total DG & D order of the country.

Many of the SSIs of backward areas of the State are not in a position to quote for tenders issued by KSSIMC, NSIC and Government departments due to their weak financial structure and lack of quality of their products. The SSIs located in Bangalore district and other bigger towns of the State have been the major beneficiaries under the marketing assistance programme of the NSIC and also of the KSSIMC.

(i) **District Industries Centres and Single Window Agencies**

Due to lack of co-ordination among promotional agencies of SSIs, all the incentives and facilities could not be made available to eligible entrepreneurs by DICs through single
source. In order to provide all incentives and facilities under single roof, single window agencies have been constituted at the district level involving different promotional agencies. However, it is said that all the incentives and facilities are not available to SSIs under single roof.

II Protective Measures

To protect the SSIs from the cut-throat competition posed by the medium and large scale industries, 846 items have been reserved for exclusive manufacture in the Small Sector, and 409 items have been reserved for State purchases. But there are instances of violation of this reservation policy.

The associations of SSIs complain that Government departments are not purchasing in adequate quantity the reserved items from SSIs.

5. Fiscal Incentives

(a) Central Subsidy

Since the introduction of the central subsidy upto March 31st, 1983, central subsidy of Rs.716.94 lakhs has been disbursed to SSIs of three districts viz., Mysore, Dharwad and Raichur. Of this amount, 46.39% to Mysore, 29.29% to Dharwad and 24.32% to Raichur has been disbursed.
During the period between 1983-84 and 1987-88, total central subsidy sanctioned and disbursed for the SSIs of backward districts of the State has been Rs.1893.51 lakhs and Rs.1442.34 lakhs respectively. During this period, Dharwad district received the highest amount of central subsidy and the next highest amount of central subsidy was received by Mysore, Bidar and Raichur districts in that order. The lowest amount of central subsidy was received by Hassan district.

(b) State Subsidy

During the period between 1982-83 and 1987-88, the total state subsidy sanctioned and disbursed to the SSIs of backward zones was Rs.1782.65 lakhs and Rs.1071.32 lakhs respectively.

Bangalore district has been the highest beneficiary from the State subsidy. The next highest beneficiary districts are Dakshina Kannada, Belgaum, Shimoga and Chitradurga. The last three beneficiary districts in order are Raichur, Dharwad and Bidar.

The fiscal incentives of Government of India and Karnataka Government are stupendous and have made favourable impact on the growth of SSIs in different regions of the State. Nevertheless, many of the incentives and concessions announced are not actually made available to eligible entrepreneurs of backward areas of the State.
6. Field Study

The field study conducted in Mysore district and Peenya Industrial Estate support the hypotheses set out for this study.

The first hypothesis is that incentives and facilities have generated first generation entrepreneurs. In both the places, majority of entrepreneurs of sample units are first generation entrepreneurs.

The second hypothesis is that SSIs would not have come up in such large numbers but for the incentives and facilities. The responses of majority of sample units of both the places confirm this hypothesis.

The third hypothesis is that infrastructural facilities and external economies attract SSIs to the advanced areas. Our field study at Peenya Industrial Estate also corroborates this hypothesis. Of the 65 sample units of Peenya Industrial Estate studied, it was found that 92.31% of them were attracted to this estate on account of the infrastructural facilities created by the promotional agencies and external economies which are available in and around Peenya Industrial Estate.

The fourth hypothesis is that the extent of availment of institutional facilities by the units of advanced areas is greater than the extent of availment by the units of backward
areas. According to the findings in the field study, marketing, raw materials, financial, technical and other facilities are availed of by larger sample units of Peenya Industrial Estate as compared to the sample units of Mysore district.

The fifth hypothesis is that the SSIs of backward areas have more problems than the SSIs of advanced areas. The findings of the field study support the fact that the number of SSIs facing a variety of problems is larger in Mysore district than in Peenya Industrial Estate. The SSIs of Mysore district face such problems as marketing disadvantages, lack of technical facilities, shortage of quality raw materials, higher transport cost, inadequacy of financial assistance etc.

The sixth hypothesis is that lack of co-ordination amongst promotional agencies has resulted in the failure of many schemes formulated for the promotion of SSIs. The views expressed by all the sample units of Mysore district and Peenya Industrial Estate support this hypothesis.

7. Impact of Incentives and Facilities

Incentives and facilities have made favourable impact on the growth, modernisation and diversification of SSIs in the State. Thanks to incentives and facilities, the growth rate of SSIs in backward districts has increased as compared to the growth rate of SSIs in non-backward districts.
The number of registered SSIs in the 11 backward districts in 1975-76 was 6421 which increased to 47990 in 1987-88. Thus, during the period between 1975-76 and 1987-88, the number of SSIs of backward districts increased by seven and a half times. During this period, the number of registered SSIs of eight non-backward districts increased from 10446 to 38066. Thus, there was 3.64 times increase in the number of SSIs in the non-backward districts.

In terms of the number of SSIs, Bangalore District has occupied the first place in the State. The next successive positions are occupied by Mysore, Dharwad, Belgaum and Dakshina Kannada districts.

Hassan, Bidar, Uttara Kannada, Chickmaglur, Kodagu have occupied the last six positions in the number of SSIs in the State.

While the growth rate and percentage share of backward districts in the number of SSIs are increasing, they are decreasing in the case of non-backward districts. But, still Bangalore district has the largest number of SSIs, and the policy of the State Government to check further growth of SSIs around Bangalore has not been successful.
GAPS IN STRATEGY AND SUGGESTIONS FOR FUTURE POLICY

1. Institutional Finance

Though the share of the financial assistance of public financial institutions availed of by the backward districts is increasing, the present institutional network is not meeting adequately the financial requirements of SSIs of backward districts.

(a) Commercial Banks

Commercial banks, with their multifarious activities and clientele, are not able to give needed attention to SSIs of backward areas. The branches of commercial banks located in backward areas are not delegated adequate authority and further the financial resources of these branches are not adequate to meet the financial requirements of SSIs of backward areas. Many of the SSIs located in the backward areas are unhappy with the cumbersome procedural requirements of commercial banks and delay in sanctioning loans.

(b) KSFC

Though KSFC constitutes the single most source of term finance for SSIs, it is not an exclusive financial agency of SSIs. It provides financial assistance to medium scale industries also. There is not much need to provide financial assistance to medium scale units by KSFC, since these units
have other sources of finance such as Karnataka State Industrial Investment and Development Corporation (KSSIDC), branches of Industrial Finance Corporation of India, Industrial Development Bank of India etc.

SSIs have to approach commercial banks for working capital and KSFC for term loans. Since proper co-ordination between these two financial institutions is not established, there is a need for converting SFCs as State Small Industries Financial Corporations on the line of SIDBI at the national level, through an amendment of SFCs Act of 1951. As a subsidiary of SIDBI, this agency could function as an exclusive financial agency of SSIs at the State level, meeting their term loans and working capital requirements.

**Measures to be taken to Facilitate Flow of Finance to SSIs by the Proposed Agency**

1. To help strengthen the financial position of SSIs of backward areas, it is of utmost importance to have a good network of this agency and evolve effective measures to facilitate the timely flow of credit to SSIs at reasonable rate of interest.

2. This agency should make efforts to encourage entrepreneurs to use their own funds.

3. Capital is particularly tight for new SSIs which come up in the backward areas. Therefore, it is necessary to
create a specific fund to help these units on the lines of National Equity Fund of SIDBI.

4. As an added incentive, it is necessary to liberalise or ease the terms of loans, and to simplify the procedure and expedite the granting of financial assistance to the entrepreneurs who set up SSIs in the backward areas.

2. Incentives and Concessions

The incentives and concessions offered to SSIs form a formidable list. They include various subsidies, exemption from certain taxes, income tax relief, preferential pricing policy, concessional finance, reimbursement of registration charges etc.

The incentives and concessions meant for SSIs add up to a very substantial amount. However, field study conducted in Mysore district revealed that many of the incentives and concessions are not actually made available to many of the eligible SSIs. Many entrepreneurs of backward areas are not aware of several incentives and concessions they are entitled to. Some entrepreneurs who made attempts to get incentives and concessions have given up trying, fed up with procedural difficulties, delay, corruption and also on account of the small amount of benefit from certain incentives and concessions.
Central subsidy, State subsidy, concessions in registration charges, exemption from stamp duty, concession in the application processing fee of KSFC, subsidy on electricity tariff are some of the most availed of incentives and concessions. Incentives and concessions such as reimbursement of registration fees, benefit of price preference, tax concessions for the inputs, sales tax exemption, concession in prototype facility, subsidy on feasibility reports, subsidy on housing, subsidy on interest and subsidy on procurement of knowhow etc., are not availed of by many eligible entrepreneurs.

A notable flaw in the incentives policy is that the efforts of development of SSIs in the backward areas have been spread thinly. This is because the number of districts/taluks which have been identified for administering incentives and concessions is large. Therefore, we feel that the Government should decide the optimum number of districts/taluks to be assisted, taking into consideration its own financial position.

The present incentive schemes seek to subsidise the capital investment at a uniform pro rata rate; for e.g., central subsidy is between 10% and 25%, and state subsidy is between 10% and 15%, irrespective of the size of the unit. Medium and Large Industries naturally get more benefit. In
order to obviate this disadvantage, SSIs of backward areas can be subsidised separately at a higher rate.

The subsidy rate can be related to the size of the unit at the different rates as given below:

<table>
<thead>
<tr>
<th>Range of Investment (Rs. in Lakhs)</th>
<th>Subsidy Rate (per cent)</th>
</tr>
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<tbody>
<tr>
<td>Investment less than 10</td>
<td>25</td>
</tr>
<tr>
<td>10 - 15</td>
<td>20</td>
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<td>15 - 20</td>
<td>15</td>
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<tr>
<td>20 - 30</td>
<td>12</td>
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<tr>
<td>30 and above</td>
<td>10</td>
</tr>
</tbody>
</table>

Other important suggestions with regard to incentives and concessions which can be considered are enumerated below:

1. The SSIs which are set up in rural and semi-urban areas by the local entrepreneurs, and utilise locally available resources, should be subsidised at a higher rate.

2. Incentives and concessions may be linked to the degree of sub-contracting. This helps for an integrated growth of Small, medium and large scale industries in the backward areas.
3. Non-Financial Measures

(a) Industrial Estates

As elsewhere, in Karnataka also, stress has often been more on construction of sheds and their allotment than on their effective utilisation. Large number of sheds have been built in Bangalore and other bigger towns where there is more demand. This is one of the very important reasons for the persistence of the problem of regional imbalance and failure of regional dispersal policy.

Many of the industrial estates of backward areas are not successful as compared to the industrial estates of Bangalore, Mysore, Hubli and other bigger towns of the state. The main reasons for this can be enumerated as below:

1. Small size of industrial estates in many of the backward areas and inadequate common facility services.

2. Absence of pre-existent industrial environment.

3. Inadequate infrastructural facilities.

4. The selection of entrepreneurs and products to be manufactured in the sheds are not made cautiously.

5. Adequate care is not given by promotional agencies to promote local entrepreneurship, and to utilise locally available resources.
To make the industrial estates of backward areas succeed, following important measures may be adopted:

1. Industrial estates in the backward areas should not be pioneered but followed by industrial areas. Medium and large scale industries located in the industrial areas create economic and social overheads and infrastructure. Thus, they help the growth of SSIs by way of providing external economies and by buying the products manufactured by them.

2. The allotment of sheds in the industrial estates of backward areas must be carefully done. Effective measures should be taken to make available promised incentives and facilities to the allottee entrepreneurs in time and in full measure to help tide over the initial problems in the establishment of SSIs. This helps for the fast growth of SSIs and success of industrial estates of backward areas.

3. In the industrial estates of backward areas, preference should be given to local entrepreneurs by giving thorough training about industry. It is also necessary to encourage that type of SSIs which use locally available resources and produce the goods needed by local people.
(b) **Industrial Areas**

There should be co-existence of industrial areas and industrial estates for harmonious development of small, medium and large scale industries in the backward areas, based on the maxim of complementarity and ancillarisation. The success of industrial areas depends on the proper choice of industries, well developed infrastructural facilities and other supportive facilities needed by the different industries located in the industrial areas.

The SSIs located in the industrial areas of backward areas, because of distance, are at a disadvantage inter alia, in the matter of availment of incentives and facilities. Therefore, measures should be taken to supply incentives and facilities promised, to the eligible SSIs at the earliest, without causing any hardship.

KIADB charges uniform price for the developed plots. So SSIs do not get concession in the sale price which is exorbitant and prohibitive. To encourage the entrepreneurs to set up SSIs in the industrial areas, it is necessary that KIADB should give a reasonable concession.

(c) **Supply of Machinery on Hire Purchase Basis**

Supply of machinery on hire purchase basis is a very useful programme to help the SSIs of backward areas. Under the scheme, assistance is extended in kind; hence the
possibility of misappropriation of fund either by the entrepreneurs or by the officials in-charge of this scheme gets ruled out.

In Karnataka, while the functioning of NSIC under the scheme is tardy, KSSIPDC has completely stopped it. To expedite the scheme following measures may be adopted:

1. Both NSIC and KSSIPDC should take necessary measures to mobilise adequate funds to expedite the programme.

2. In Karnataka, NSIC is having only one branch and it has not opened its branches in the backward areas; unlike NSIC, KSSIPDC has its branches in all the districts of the state. Therefore, in order to revive and expedite the hire purchase scheme, effective co-ordination should be established between these two agencies.

(d) Consultancy Services

The SSI's located in the backward areas do not have the facility of consultancy services. Most of the entrepreneurs of backward areas are first generation entrepreneurs and they do not possess necessary skill in the areas of finance, marketing, production, personnel management etc. Particularly, in the initial period, they need consultancy services. In an industrially advanced centre like Bangalore, entrepreneurs can often get advice from SISI, TECSOK, Chamber
of Commerce and Industry, Karnataka Small Scale Industries Association and from professional agencies. As elsewhere, in Karnataka also, consultancy services are not available in many backward areas of the state.

There should be one adequately staffed SISI in each backward district to provide techno-economic consultancy services and organise EDPs for motivating local persons. Through this agency, industrial potentiality survey reports have to be made available to help the trained entrepreneurs for selecting suitable product lines in the backward areas. This agency should help the entrepreneurs of backward areas in availing themselves of incentives and facilities offered by public promotional agencies.

(e) Entrepreneurship Development Programmes

EDPs are very useful to spread the industrial culture and motivate entrepreneurs to set up SSIs in the backward areas. But most of the EDPs of SISI, KSSIDC, KSFC, DICs and TECSONK have been organised in the bigger towns of the state. It is necessary that EDPs should also be organised in backward areas to motivate local entrepreneurs to set up SSIs in those areas.

(f) Training Services of GTTC

GTTC is giving very useful training in the areas of tool designs, common facility services and manufacture of special
purpose jigs, fixtures, press tools, dies, moulds, etc. Training in these areas is very useful, but there is only one GTTC which is located in Bangalore. There is, therefore, need for establishing more GTTCs to provide training facility to the entrepreneurs and workers of backward areas of the State.

(g) Raw Materials Assistance

KSSIDC has been the major source of raw materials to SSIs of the State. NSIC's activity in this field is negligible.

Though KSSIDC has its branches in all the districts, its raw materials assistance is confined to SSIs mainly belonging to engineering, electrical, ferrous/non-ferrous and chemical industry groups. There are large number of SSIs belonging to other industry groups for which the facility of raw materials assistance is not made available. KSSIDC, therefore, should ascertain the raw materials requirements of SSIs belonging to different industry groups through district-wise survey in association with SISI, TECSOK, DICs and associations of SSIs and make arrangement for supplying the raw materials required by different industry groups.

At present, KSSIDC is not giving any concession in the price of raw materials to SSIs of backward areas. To encourage entrepreneurs of backward areas, there is a strong
need for granting subsidy on the cost of raw materials, on a graded basis according to the level of backwardness of the area.

(h) Marketing Assistance

Eventhough a special agency, KSSIMC, has been set up to provide marketing assistance, marketing problem of SSIs of backward areas is not solved. Most of the beneficiaries of KSSIMC are the SSIs located in Bangalore and other bigger towns of the State.

Marketing assistance is a difficult task requiring a great deal of expertise. However, following measures may be adopted to provide marketing assistance to SSIs of backward areas.

1. KSSIMC should provide market intelligence and information regarding location of markets, price trends of raw materials and finished goods.

2. KSSIMC should purchase the products of SSIs of backward areas directly from product producers against cash payment and make sales of the same under its arrangements to private parties and Government departments. While supplying the SSIs' products to Central Government, it can get the assistance of NSIC. This positive assistance helps the SSIs of backward
areas to concentrate on production activities, attend to quality improvement and free them from harassment of running around collecting payment.

Government agencies alone, however, cannot extend marketing assistance to all the products manufactured by SSIs belonging to different industry groups. Through incentives and facilities, private parties should also be encouraged by the Government to open departmental stores, similar to those opened in advanced countries, like Sears Roebuck of USA, to sell the products of registered SSIs of backward areas.

4. Other Suggestions

(a) Majority of sample units of Mysore district and Peenya Industrial Estate have stated the problem which they have to encounter on account of labyrinthine state controls. In order to solve this problem, there is need for enacting a consolidated and comprehensive Act. If this is not possible in the immediate future, the number of hurdles the SSIs have to encounter and the statutes and acts they have to comply with, should be reduced to the minimum.

(b) With the objective of providing all the input services under a single roof to the eligible SSIs of backward areas, DICs have been set up at the district level.
Single Window Agencies also have been set up to expedite the assistance programme of SSIs. According to the sample units of Mysore district and Peenya Industrial Estate, all the input services are not made available to them under a single roof and they have to visit different offices to get them.

To supply all the input services under a single roof to the eligible SSIs of backward areas, effective co-ordination should be established between DICs and other promotional agencies of SSIs. DICs should also be given adequate power, funds and properly trained staff.

To sum up, the above discussion brings into focus some of the major gaps in the strategy of institutional facilities and incentives for the promotion of SSIs in the backward districts/zones of Karnataka. It also highlights the issues on which the Government needs to evolve a suitable policy for the promotion of SSIs in the backward areas of the State. As we have seen, there is a broad institutional network to provide a wide range of assistance to SSIs at different stages, ranging from selection of product lines to marketing of the final products. While the institutional facilities are available to SSIs irrespective of their location, incentives and concessions are available to the SSIs of backward areas only. But, actually due to well developed
infrastructural facilities, easy accessibility of institutional facilities and external economies, large number of SSIs have come up in Bangalore metropolitan area. The packages of incentives and concessions of State Government have not generated effective disincentives for controlling the growth of SSIs in this centre. Eventhough the percentage share of backward districts is increasing, expected growth of SSIs has not taken place in many backward areas due to non-availability of institutional facilities, incentives and concessions in full measure.

Unless strict measures of controlling the growth of Small Scale and other industries in Bangalore metropolitan area and other bigger towns of the State are pursued vigorously, spatial diversification in the development of SSIs cannot be achieved through mere incentives and concessions.