CHAPTER VI
CRITICAL ANALYSIS OF THE ESTATES IN NORTH KARNATAKA AND THE RECOMMENDATIONS THEREON

Introduction:

The eight estates surveyed and presented by us in Chapter IV and V are now critically analysed in the first part and based on the analysis we have made suitable suggestions for their rapid growth and better utilisation in the second part of this chapter. It may be noted that we have attempted an analysis and not the evaluation with any yardstick or a model.

Organisation of the Units:

Out of the 59 units, in the eight estates as many as 21 are proprietary and 34 are partnership firms. Though this aspect of the organisational form indicates the smallness of the units operating in the estates, it gives rise to the fear of ever remaining a family unit not giving rise to expansion by incorporating other members to reap the benefit of a limited concern. Besides, the family nexus has come in the way of securing risk capital and better entrepreneurship. The family unit has further handicapped the management of the unit in introducing scientific and all the latest methods of management.
It is surprising to find that no public company is functioning in any of the estate. Besides, there is neither any government sponsored nor a co-operative industrial unit functioning in any one of the eight estates surveyed by us. This is not the position in the estates working in neighbouring states like Maharashtra or Gujarat where there is a scramble for joint stock companies and co-operative firms in the allotment of sheds. A few Government and co-operative units would have added strength and status to industrial estates in Karnataka.

The family units organised as one man business or a family concern or a partnership firm has led to combine the role of an entrepreneur as an organiser, manager, accountant, secretary, salesman, store-keeper, etc. all rolled into one making the task almost impossible. This has resulted in the laxity in the services rendered by the unit in various fields of either production, marketing or finance.

Administration of the Estates:

It is a three tier administration. At the top is the Chairman of the Board of Directors, KSSIDC who is generally a non-official assisted by a bureaucrat with an
army of subordinate officers at the headquarters located at Bangalore, the capital of the State. There is a Divisional Manager at each Division since the State is divided into four divisions for administrative purposes. At the lower tier there is a Branch Manager for each estate who is again assisted by number of officers and other grade incumbents who will be administering the estate in its day-to-day administration.

The chief function of the administration lies in the selection of the site of the estate, its acquisition, development including laying out of the roads, both internal and link and furnishing with all the infra-structure such as water, power, constructed sheds, etc.

Once the factory sheds are constructed, it is the allotment that is more interesting and important. There is a duly constituted allotment committee headed by the General Manager, District Industries Centre and the Branch Manager, KSSIDC as member secretary who will act as the convener. KSSIDC invites applications for the constructed sheds and developed plots from the entrepreneurs. There are various types of entrepreneurs who are given the priority such as unemployed or self-employed engineers, graduates, scheduled caste and tribes, priority producers' units, ancillary units,
etc. The survey has revealed that there is no complaint regarding the allotment of sheds. This is because in all the eight estates there is no great demand for sheds excepting in two estates of Hubli and Belgaum. In all the other estates, there is no pent up demand for the sheds. All those who have applied for the sheds got the allotment without much fuss.

Entrepreneurs:

Nearly 60% of the entrepreneurs are local and only 10 to 15% of the total have come from outside Karnataka. Majority of the entrepreneurs are in the age group of 36 to 45 years. 50% of the entrepreneurs are either graduates or diploma holders and rest of them are undergraduates. Majority of the entrepreneurs come from business family and between 15 to 20% of them had job experience in similar field before starting the unit. Only 10% of the entrepreneurs are coming from the agricultural family. Entrepreneurs coming from outside the state are found doing well whereas local entrepreneur despite the easy access to sheds found, lacking in entrepreneurial skill. A few farmers' families are represented, but in rural places farmers have not been benefited by the estates. So, in attracting entrepreneurs from agriculture, estates are yet to make a mark.
Agro-Industrial integration point of view this aspect of entrepreneurship in estates emerges as a vital factor. Special efforts will have to be made to encourage entrepreneurs from agricultural families to take to industrial activities in the estate.

Availability of constructed shed in the estate at low rentals was the most important factor attracting entrepreneurs to the estates. Main lines of manufacture carried by the units are:

1) Engineering goods,
2) Plastic products,
3) Chemicals,
4) Cement, and
5) Consumer goods and services.

As many as 49 out of 59 units surveyed were established during the period between 1971 to 1985. Only 10 units were established from 1950 to 1970 in which 8 units emerged after 1961. So, the units in the eight estates established themselves firmly during the last 25 years and majority (49 out of 59) of them have been in the field during the last 15 years. More and more new units are emerging with the starting of industrial estates.
programme in North Karnataka. There are a few existing units being shifted from outside localities but such cases are negligible. There are stray cases of delay in allotment but it is being observed that such delay was due to close scrutiny and adherence to technical and legal formalities. On the whole, fair procedure is followed and the allotment committee represents various departments of the Government evidencing the committed involvement of the Government in the programme. However, women entrepreneurs are not attracted in the estates in North Karnataka.

Sheds - Size and Design:

Physical construction of sheds in the estates is according to the pre-planned designs conforming to the broad specifications laid down by the Central Government. It is pertinent to mention here that in this experimental programme single standard for the size of sheds cannot be laid down. Looking to the size of the units and the nature of their operations, sheds in different sizes are provided in the estates. As indicated in Table IV.14 built up area of the sheds varies from 870 sq.ft. for D super type to 4750 sq.ft. for A type. Besides, there is a mini type with only 240 sq.ft. to accommodate very small entrepreneurs. Of the A, B, C, D, E, F, G, MF, A Super, B Super and D Super types, only B, C, D and Mini types are constructed
and here again all the B type sheds (52) are located at Hubli and Belgaum estates. In rest of the estates only C, D and Mini type sheds are provided. We are of the opinion that Mini type sheds are too small to carry out business operation. Further, sheds in various sizes and designs must be provided instead of forcing the units to accept the constructed sheds of fixed sizes. Flexible policy would help overcome the problems faced by the units with regard to size, shape and space in the sheds. A few units reported poor construction and fast decay of the constructed sheds. This may not be the case with other sheds. All the same, the attention of construction and maintenance department of K.S.S.I.D.C. may have to be drawn towards this aspect of construction. We are of the firm view that in the matter of construction, instead of imitation there should be innovation on the part of the engineering department and where imitation is inevitable then the imitation should be of best models suited to local needs. The estates covered by us are all conventional type. As such, construction of sheds should be in tune with the type of units that are to get allotment instead of forcing the available sheds. Further, instead of allotting 3-4 sheds or developed plots to one unit it is advisable to provide such units with one big shed or one big developed plot.
Cost of the Sheds:

Construction cost of shed varies in point of time, pattern and size. As revealed by Table IV.15 cost of construction is low at Hubli owing to early start of construction and it is considerably high in Belgaum and other places. Total cost of construction of sheds in North-Karnataka amounts to Rs.250.83 lakhs and the cost of construction is on continuous increase. To overcome the situation, simple economical and more effective designs could have been evolved by the authorities for future construction strategy.

Occupancy:

Occupancy percentage on the whole in North-Karnataka is 95, much higher than all India average of 90%. Though in Sirsi, Dendeli and Khanapur occupancy is below 70%. The reasons for low occupancy are not far to seek. In Hubli, Belgaum, Bijapur and Jamkhandi hundred per cent occupancy is reported. What we have specially observed in this regard is that occupancy is delayed due to the lack of infra-structural facilities and incomplete construction of sheds by the K.S.S.I.D. C. It would have been a better policy to allot the sheds only after the construction is completed than to resort to the allotment of partially
constructed sheds. In Hubli, Bijapur, Belgaum and Sirsi, sheds constructed for allotment to units are used for storing raw material which shows the wrong use of the constructed sheds. Occupancy in urban estates is 98% and in Semi-urban it is 73% whereas in rural estate at Khanapur it is 50%. But the trends show that with the infra-structural facilities fully provided and with the subsidised rentals, there won't be any problem of occupancy in North Karnataka estates in future.

The delay in the commencement of the operations by the units is a serious matter. Many units at Dandeli, Sirsi, Gadag and Jamkhandi estates despite the completion of allotment and occupancy have not yet taken up production. Some entrepreneurs after two to three years of allotment are thinking of changing the production line apprehending a failure in the chosen line of manufacture. This is where the K.S.S.I.D.C. can show better results by resorting to thorough screening of the project reports before alloting sheds. 24 units out of 59 surveyed reported delay in commencement which is attributed to late arrival of machinery and non-connection of water, power and delay in the release of funds. As revealed by Table IV.17 there is no deliberate delay evident in the North Karnataka area except in case of the above four small estates.
Rentals and Repairs of the Sheds:

Rent charged for the constructed shed is fairly subsidised and K.S.S.I.D.C. is forced to revise the rates. Rent varies from place to place. In less developed areas the rates are lower. Rents are recovered on monthly basis by the branch offices of K.S.S.I.D.C. Rents vary according to type and size. Common monthly rents are as under:

In Belgaum, Hubli area monthly rent is 20 paise per SFT. making it Rs.950 for A type, Rs.496 for B type, Rs.300 for C type and Rs.150 for D type. Bijapur estate enjoys preference in rates and the monthly rent is fixed at 12 paise per SFT, making it Rs.180 for C type and Rs.90 for D type. In other estates as they are located at still backward areas rents are levied at 10 paise per SFT, bringing it to Rs.150 for C type and Rs.75 for D type and there are no A and B type sheds. Compared to the 33 paise per SFT rate for estates in Bangalore, the rent in North Karnataka must be treated as fairly subsidised and encouraging but any upward revision owing to escalation in cost of construction may take away the initiative and drive of the entrepreneurs.

Forced by the ever increasing cost of construction of sheds K.S.S.I.D.C. has come out with Hire Purchase Scheme wherein the entrepreneur can pay the price of the
shed outright and become its owner or can own it on the consideration spread over 120 monthly instalment of Rs.5,030 for A type, Rs.2,951 for B type, Rs.2,075 for C type and only 1173 for D type sheds. This is inclusive of interest.

Under rental scheme, it is a burden for the Government but the Hire Purchase Scheme is becoming a viable proposition to reduce the financial burden of construction on the part of K.S.S.I.D.C. Some units have expressed their dissatisfaction over this rate and wanted reduced rates. But the entrepreneurs are not bothered about the rent or the hire purchase instalment in general. Some of the units expressed their concern over the delay in clearing the documents even after the full payment of cost of the shed under Hire Purchase Scheme. This, however, needs consideration by the authorities.

Though units in general have not complained about the repairs of the constructed sheds while going through the survey work, we noticed that many of the sheds were lacking in proper maintenance. Many of the sheds in already established big estates at Hubli and Belgaum and Bijapur certainly need prompt repairs. The cost of repairs
can be spread over the development cost of the estate against the future period.

**Utilisation of the Space:**

Space in the shed is fully utilised by the units and they are in need of more space for expansion and storage. It is being invariably seen in the course of our study that sheds and the open space in the shed is used for storing raw material as well as the finished goods by the units. This compelled the existing units to get allotment of additional sheds located away from the existing sheds in the same estate. This situation could have been avoided had there been little more farsightedness on the part of the engineering department, while resorting to physical planning of the construction of the sheds, leaving scope for expansion of the existing sheds.

**Location of the Estates in North-Karnataka:**

Estates in North Karnataka are evenly spread in the four industrially backward districts of Belgaum, Bijapur, Dharwad and Karwar. In Belgaum district, Belgaum estate is located on the Belgaum-Khanapur Road 4. Km. away from Belgaum town near Udyambag and the Khanapur estate is
274 Km away from Belgaum town and is quite near to Khanapur Taluka Headquarters. In Bijapur district, Bijapur estate is located near the Railway Station and the Jamkhandi estate is located 4 Km away from Jamkhandi town on the Jambagi Road. In Dharwad district, the Hubli estate is located around 5 Km away from Hubli town on Gokul Road and the Gadag estate is located around 4 Km away from the town near the College complexes. In Karwar district, Dandeli estate is located near the Dandeli township on the Main Road 4 Km away from the town. The Sirsi estate is situated on Banavasi Road 4 Km away from Sirsi town. So, the location is the outskirts of the towns and district Headquarters. Gadag estate should have been on the Main Road. The difficulty of approach road is apparent and felt in this estate. However, the location of the estates has helped in the growth of all regions in this agriculturally dominant area and in North Kanara district in particular which is forest based.

Here it may be noted that Dandeli is a township which has emerged owing to forest based paper mill and a plywood company located in the forest zone of North Kanara district.
Area of the Estates:

Total area as revealed by Table IV.11 is 260 acres, of which Hubli and Belgaum account for 159 acres constituting 61%. Average area per estate is 32.5 acres. Hubli and Belgaum are big estates and Khanapur estate with less than 10 acres is considered as small estate. The remaining five are medium estates. This categorisation brings to light the fact that newly started estates in North Karnataka tend to possess less than 30 acres area.

Location of the estates however is justified as 76.2% of the units as indicated by Table IV.4 set up their units only on account of locational advantage and 90% of the total units as revealed by Table IV.8A attributed their success mainly to the locational aspect of the estate.

Many entrepreneurs had already strong conviction to take to industry and they could find easy opening to their idea in industrial estates programme. Many technocrats and graduates have set up their units and some of them owing to early success are contemplating expansion of units in private area situated near the estate. 54 units had other alternatives in mind but they found shed in estates ideal and economical. This proves the existence
of industrial potentialities and the successful attraction by estates.

Layout and physical planning of the estates is in accordance with the guidelines of the Central Government. Specification of 60 to 65% for factory plots, 20% for internal road, 10% for open space and 5 to 10% for office and amenity buildings are followed in North Karnataka, but the physical layout at Gadag and Khanapur and Sirsi should have been much better.

**Infra-structural Facilities**

Physical planning for facilities needs improvement, and there is total inadequacy of infra-structural facilities felt at Gadag, Sirsi, Khanapur, Dandeli and Jamkhandi estates. Even the remaining three at Hubli, Belgaum and Bijapur estates are not properly provided with infra-structural facilities as planned for. In Hubli and Belgaum though infra-structure is provided it has qualitative defects. Industrial services and facilities are lacking in all the estates. Even in developed estates of Hubli and Belgaum dispensary, clubs, parks, schools and shopping complexes and residential facilities are absent and the frequency of city bus services is inadequate. 57 out of
59 units held that infra-structural facilities are not adequate and there are many defects in their physical planning and operation.

Production Structure:

Power Consumed:

All the units use motive power except two units which are hand operated. Machine capacity ranges from 1.5 H.P. to 175 H.P. and the average energy of the units is 40 H.P. Machines are mostly indigenous.

Raw Material:

Power consumption ranges from Rs.5,000 to Rs.10,000 per annum. Power failure is frequent and many units below capacity sometimes as low as 25 to 30% of the installed capacity due to power shortage. Units running double shift run only single shift resulting in retrenchment.

Units have both modern and old machines. Generally the age of the machines is 10 years and in some cases it is 15 years and above. Government guarantee is not satisfactory in buying machines by entrepreneurs. Units have higher machine cost as compared to the production.
Line of Manufacturing:

A variety of goods are manufactured. Main items are Engineering (Machines, Machine tools), Chemicals, Forest-based, Agro-based products, Cement pipes, construction materials, Auto parts, Rubber, Electrical and Electronic goods, Aromatics, Agricultural implements, Edible oils and oil cakes, Plastic goods, Aluminum products, etc. The products do not have ISI mark. Quality control is lacking. Subsidiary and Ancillary units in Hubli and Belgaum have not come up to the expected standard. Government should enforce quality control in view of sub-standard quality of the goods. Fabrication is carried on large scale but the quality is poor.

Capital Structure:

Majority of the units have fixed capital in the range of Rs. 1.00 lakh to Rs. 5.00 lakhs. Medium size and big units, however, have fixed capital above Rs. 5.00 lakhs. There are some units having fixed capital above Rs. 10.00 lakhs.

Majority of the units have the working capital in the range of Rs. 1.00 lakh to Rs. 5.00 lakhs. But there are some big units having working capital in excess of Rs. 10.00 lakhs.
Interest rates vary from 10 to 15% in few cases of borrowings from private banks interest rate exceeds 15%.

It is interesting to note that all except one unit possess owned capital in reasonable proportion to their borrowed capital. 8 units have no borrowed capital since these units are set up in the estate by the parent units which are established outside the industrial estates.

Institutional agencies and development banks are involved in the financing of the units as well as in the establishment of new estates. Some units have felt shortage of working capital and they need the cash credit limit to be raised. On the whole, in both term lending and working capital requirements greater involvement of institutional agencies is felt by the units.

Nationalised banks provide the bulk of the finance and KSFC, Reserve Bank and LIC are lending support in this respect. Little support is afforded by co-operative banks. Half of the units are adequately financed but the remaining 50% of the units are experiencing the shortage of funds. Shortage ranges from 1 to 3 lakhs. Units would have accounted better but for the lack of funds.
Cost and Profit Margin of the Units:

Units in general are earning profit of 10 to 20%. The average profit margin is 12% on cost of production. 12% average cannot meet the salary of the family members and partners and there is no scope for ploughing back of profit. Regular production planning and annual production and sales budgeting is not followed by the majority of the units and they go by actuals.

Analysis of the value produced reveals that raw materials and parts constitute almost 80% of the total cost. Labour cost is 10% of the total on an average and administrative and overheads amount to 11% of the total cost. Annual sales value on an average is Rs.16.6 lakhs. The raw material cost and overheads can be reduced if scientific management is enforced. This will be necessary for the units to face challenge from private units operating outside the estates.

Annual value produced by the 59 units is worth Rs.981.40 lakhs and the total input is worth Rs.872.94 lakhs. Value produced is not totally satisfactory though compared to all India level production value of Rs.4.35 lakhs, Rs.16.6 lakh is higher. Capacity is not fully utilised.
So the value produced could have been more. Further, there are 7 units forming 11.8% making loss and the rest of the units making profit may justify the creation of estates in North Karnataka but the performance cannot be taken as totally satisfactory unless the profit-margin is around 20 to 25% and in job works this margin is around 30 to 40% of the cost.

**Subsidies:**

Subsidy is given to new and small units by the Government and also by the KSSIDC. Only small percentage of 27.1% of the units had the privilege of receiving Government subsidy. In fact, all the deserving units should be covered by subsidy. Subsidy received is Rs.25,000 to Rs.50,000. Subsidy must enable the units to have a good start and should not be a source to cover up the loss. Some of the units have expressed that their applications for subsidy is pending since long. Procedural formalities must be reduced to the minimum and there should not be misuse of the subsidy policy of the Government by the people in authority.

**Marketing Processes:**

Marketing mechanism is not a match to production system. Improvements are needed in the areas of marketing
finance, market research, risk bearing standardisation and grading. Quality control is not properly followed. Excepting two none of the units have got ISI mark for their products. Goods are generally sub-standard and there is no foreign market. Government can provide common marketing facilities. Goods are sold directly and through normal trade channels. Marketing cost is not more than 10% which means that marketing processes are not properly followed.

Units sell on credit and they have to face the recovery problem. More receivables put greater strain on the limited resources of the units telling adversely on their performance.

Sales promotion measures are not followed. Majority of the units spend 10% on the advertising. They are not active in decoration and display. Local market does not necessitate use of modern techniques of advertisement. On the whole the sales promotion drive is absent in the estates, barring simple advertisement and grant of rebate on sales. Marketing awareness is to be created. Existing local market and Government subsidy are not a substitute for scientific salesmanship and publicity in promoting the sales.
Labour:

Average employment per unit is 20 workers in North Karnataka which compares well with national average of 15 workers per unit. But, these are small units and they are deemed to be labour intensive. Compared to the capital that is employed Rs.1 to Rs.5 lakhs (per unit), the employment generated is not sufficient. Rural estates and the estates at Dandeli, Sirsi and Jamkhandi are far below the expectation in generating employment. Besides, the units are not using cheap machines - the investment in machines is pretty high compared to the size of operation.

As evident from Table IV.18 percentage of skilled workers is 32. It is this lack of skilled labour that has resulted in low productivity. Majority of the skilled workers, graduates and technically trained are absorbed in Hubli and Belgaum estates. Workers should be skilled and innovative to enable the units to achieve better results.

Sources of Labour:

Estates in the backward districts attracted good many rural workers. Ten units of the 59 surveyed have reported only urban labour. There are clear trends that
more and more agricultural workers are attracted to industrial activities.

Literacy is poor amongst the rural and unskilled though literacy is not uncommon amongst the labour class. Labour is recruited through direct method and universities and employment exchanges are not playing any positive role in this programme. Male domination is seen in the employment pattern in the estates in North-Karnataka.

Workers lack in industrial training. To enable the employees to acquire technical knowledge, Government and the entrepreneurs together should take to training programme. Majority of the workers are below 40 years in age. So, with proper training better performance can be registered by the units.

Average wage per month comes to ₹401.00 and with annual bonus earnings per capita is ₹5,213.00. With its rural background this wage is acceptable. Wages are again kept low owing to more people offering themselves at ₹6.00 to ₹8.00 per day.

**Bonus:**

85% per cent of the units are paying bonus ranging
from 8.33% to 30%. Big units pay in the range of 20 to 25%. Only 9 units are not in a position to pay bonus either because they are new or sick. 55 units held wage and work conditions as satisfactory. Workers are not concerned with physical conditions. They seem more concerned with wage fixation and payment.

Sick units are very few but they need all out efforts and support from the Government and development banks for revival and reconstruction.

Labour is unorganised, hence there is no evidence of any strike or lock out. Labour being satisfied with reasonable wage and work conditions labour relations in North Karnataka are cordial. However, welfare and security measures need improvement.

**Problems faced by the Units:**

Units have experienced multifarious problems in their organisation and working in the estates. Major problems reported by the majority of the units are:

1. Problem of marketing,
2. Inadequate and unfair transport facilities;
(c) Lack of skilled labour for most of the units;
(d) Inadequate and lack of common facilities including industrial services;
(e) Shortage of raw material with rising cost;
(f) Lack of technical assistance;
(g) Severe competition from bigger units.

The estates in Sirsi, Jamkhandi, Gadag, Dandeli and Khanapur are not provided with proper facilities. Even the estate at Hubli lacks in many infra-structural facilities and whatever facilities are provided, they lack in quality. Some functioning units are not even provided with the water connections, raw material depots, tool rooms, electro-testing laboratory, repair services and telephone services. Police check post and electricity sub-stations are not available in some of the estates. There is a need being felt for industrial research centres to enable the units to grow innovative in their operations.

General Observations:

The eight estates surveyed by us has given a multi-coloured picture of achievements in its objectives.
as well as deficiencies in their working. The two big estates of Hubli and Belgaum have all the signs of maturity though much needs to be done to bring them up to units working around Bangalore. Much more needs to be done in the remaining estates as they are located in backward districts. Lack of facilities in these estates has hindered the growth of the units and ancillary units.

Based on the above analysis of the survey, we have made the following recommendations for more meaningful and effective working of the estates in North-Karnataka in particular and the estates in Karnataka in general.

**RECOMMENDATIONS : PART II**

1. Estates as institutional technique to solve the problem of economic growth of industrially backward areas must be taken seriously by the Government as well as the entrepreneurs as such the estates must create an economic environment for a new class of entrepreneurs. For this purpose, a meeting of the enthusiastic prospective youngmen interested in starting industries should be convened often and industrial proposals exposed to them so that they would come forward and turn themselves into entrepreneurs;
2. Government should provide sufficient raw material at reasonable rate regularly through its raw material depots and the benefit should reach all the units;

3. The location and the layout of the estates need to be changed in future. The existing estates are compact leaving very little scope for further expansion. Some of the units are located in the interior creating a problem of transport and link roads. Estates must possess a scope for automatic expansion as all units are bound to expand with the passage of time. The sheds constructed are small. They have no room for storage of either raw material or finished products. There must be an adequate provision for storage of raw material and finished products. The godown facilities for each unit is a necessity. We recommend that godown facilities are created for each and every unit located in the estate;

4. The standard infra-structural facilities such as power, water, police station, post office, internal roads, fire fighter facilities, telephone exchanges, banks, godowns, security arrangements, etc. must be provided uniformly in all the estates. These facilities should go hand in hand with the construction of the sheds and not in piece-meal arrangements;
5. Industrial estates are established with a view to encouraging the enterprises not only to come forward in big number but in a big way. The present trends of attracting the family concerns and partnership firms must give way to joint stock companies. In future, joint stock companies should be encouraged to establish their units in the estates to reap the benefits of the economics of the scale and also to lend stability and strength to the units operating therein. It is desirable that co-operative units may be given a priority in the allotment of the sheds in the estates. This is all the more necessary since co-operative movement has a strong base in Karnataka particularly in the field of agro-based industries and finance;

6. The three tier administration of the estates has become cumbersome with the delay in the remote control system working from the headquarters situated at Bangalore. Industrial units expect quicker decisions and executive orders. It is suggested that greater freedom should be given to the local committees in respect of construction and allotment of sheds, and in settlement of disputes. It is also suggested that local businessmen should be
associated in the administration of the estates so as to inspire greater confidence;

7. Priorities have got to be fixed up in the allotment of the sheds. It is recommended that priorities should be fixed up in (a) respect of the units to be established, and (b) allotment of the sheds to the firms. Agro-based, forest based units as well as units consuming the locally available raw material should be given the priority in establishing their units. The units managed by local entrepreneurs should be given a priority over the entrepreneurs hailing from other states. It is found out that entrepreneurs from other states do not intend to share the technical knowledge and knowhow with the local entrepreneurs for fear of competition, as a result, local talent is refused employment in such establishments. It is recommended that priorities be worked out in advance in allotment as well as the selection of the enterprise;

8. The sheds are constructed to the pre-planned designs conforming to the broad specifications laid down by the Central Government. There are various sizes of sheds varying from 870 sq.ft. to 4,750 sq.ft. The fixed sizes of sheds are ill-suited to the units accommodated
This has resulted in the existing unit holders applying for more than one shed in the same estate but located at different places. The limited accommodation has created problems for storage of raw material and for semi finished as well as for finished products. We recommend that sheds be constructed as per the requirements of the unit holders since accommodation is a major item in any production line;

9. The cost of sheds is increasing day-by-day. We recommend that the State Government should construct the sheds and allot the sheds on a long term hire-purchase basis. This will enable the unit holder to plan his profits by incorporating the hire-purchase amount in the cost of production during each production year;

10. Occupancy of the sheds shows far better results in North-Karnataka estates when compared to all India occupancy of sheds in the estates of various states in the country. However, this is no reflection of the demand by the local entrepreneurs. Besides, the occupancy of sheds does not show any healthy trends in the establishment of agro-based or forest based or ancilliary units. It is merely the satisfaction of pent up demand and utilisation of better
services in the estates which are not available for units established outside the estates;

11. Rents charged varies from estate to estate and depends on the type of the shed. The rent charged today is subsidised. The hire-purchase scheme envisages instalment of ₹2,951 for B type spread over 120 months inclusive of interest. This rate again varies with the type of the shed. Though the rent as well as the hire purchase schemes are subsidised and, therefore, attractive, we find from our observation that there is no provision for repairs. This has resulted in the neglect of some of the sheds. We recommend that a permanent repair unit be attached to each estate to attend to all sorts of repairs to the sheds including the alterations necessitated due to the expansion of business or diversification of production;

12. The location of the estates in North-Karnataka is far from ideal. The estates are located on the outskirts of the district headquarters or business centres in the district, about 5/10 km. away from the main town creating problems of transport. We suggest that estates be located on the periphery of the towns particularly on the national highways or state highways. Here it may be noted that
Karnataka State is poorly linked with the railway lines. This necessitates the locating of the estates on the highways to ease the problem of roads both internal, link and terminal;

13. Area of the estates on an average works out to 32.5 acres. This is far from satisfactory though comparing favourably with the national average of 25 acres. We recommend that each estate should have minimum of hundred acres with a provision for expansion along the road-ways;

14. Power is an immediate attraction for establishing an unit in the estate. It is not only the easy availability of the power but availability of it throughout the year and on an expanding scale is a necessity. We recommend that electric grids should be located near the estates to ensure continuity of power since all units are operating on electric power;

15. Varieties of goods are manufactured by the units in the estates surveyed by us. There is no rhyme or rythem as the line of production based either on availability of raw material or the demand for the product. Industrial estates are the planned industrial
townships and as such must plan the production base on available raw material, locally available labour and the market for the product. We suggest, in keeping with the policy of the small industries service institute, a survey of the local raw material, technically trained personnel available in the area, survey of the market for the product be undertaken by the KSSIDC for the benefit of the entrepreneurs intending to enter the estates;

16. Majority of the units have fixed capital in the range of Rs.1.00 lakh to Rs.5.00 lakhs. Medium sized units have capital above Rs.5.00 lakhs but not more than Rs.10.00 lakhs anyway. This is too small for the fixed capital. We suggest that the capital base of the units should be strengthened with a use of more plant and machinery. We recommend that the nationalised banks should provide bulk of the finance including the Karnataka State Finance Corporation in the purchase of plant and machinery;

17. Profits of the units in the estates range between 10 to 20%. This does not include in many cases, the salary of the proprietor or the wages paid to the family members. Besides, we must know that the rent of the shed is subsidised. Taking into consideration the above facts
the margin of profit is very low. This neither leaves any scope for ploughing back of profits nor provides adequate depreciation as well as reserves. We recommend that with the introduction of the efficient management of the unit a satisfactory profit margin between 30 to 40% be aimed at;

18. Subsidy is given to small units by the Government and KSSIDC. Only 27% of the units have availed themselves of this subsidy. We recommend that comprehensive rules be framed and wide publicity be given for the subsidy given by the Government and the KSSIDC. We also recommend that the procedural formalities be reduced to the minimum and misuse of the subsidy discontinued;

19. Marketing of the produce is a great necessity, particularly for the units who are small in size. Lack of marketing facility, lack of the knowledge of the marketing channel creates many bottlenecks for the industrial units. We recommend that trade information be furnished to all the units functioning in the estate, when asked for, with a view to facilitating the marketing of it. We also recommend proper advertisement with a use of modern techniques for pushing the goods of the units. This will go a long way in the marketing of the produce by the units in the estate.