CHAPTER V
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Following are the important findings of the study.

5.1 Karnataka was the first among the states in India to take steps to promote rural industries. Sir M. Vishveshwarayya, then Diwan of Mysore, formulated a scheme for industrialising the rural areas in 1945 which was implemented by the then Mysore Government in the year 1950-51 in Bangalore and Kolar districts. This scheme was extended to Mandya district in 1952-53 and to remaining districts of Mysore state in 1953-54. In the beginning 41 village group units were formed. The work of the scheme was operated in close cooperation with several all India Boards.

5.2 During Five Year Plans, Government of Karnataka has provided necessary fund for the development of village and small industries. The plan allocation of funds for development of village and small industries was Rs. 109.19 lakhs in I Plan increased to 2600.00 lakhs in VI Plan and to Rs. 98400.00 lakhs (including large, medium and minerals) in the VIII Plan.

5.3 The Government also supported rural industrialisation by constructing industrial estates in rural areas. During the third plan 17 estates in rural areas were constructed. During the sixth plan the Government received resources under the Dutch assistance scheme for building shed especially in rural areas. The seventh plan envisaged the construction of 5625 work sheds and living cum work sheds under the World Bank project.
particularly in rural areas.

5.4 The main objective of the various industrial policies formulated by the Government of Karnataka has been the development of cottage and village industries in the state. It provided necessary concessions such as exemption from payment of sales tax for khadi and village industries.

5.5 The budgetary expenditure of Karnataka on village and small industries for the period from 1992-93 to 1994-95 shows a tremendous growth rate of 1.06 as against the All India growth rate of 0.31.

5.6 As per the Rural Artisan Survey 1994, there were in all 2.45 lakh artisan households with a total of 7.15 lakhs artisans in rural areas of Karnataka state as on 31 March 1994. Out of the total artisans about 22.6 percentage are hired artisan workers which shows that the crafts are dominated by rural artisan household workers. The total number of scheduled caste and scheduled tribe household are 47783 and 8928 respectively forming 19.49% and 3.64% of the total number of households.

5.7 The Karnataka state is endowed with rich natural resources. Important minerals found in the state are gold, silver, iron ore, manganese ore, bauxite, lime stone, granite etc. The forest wealth consists of rose wood, sandal wood, teak wood, pulp, plywood and bamboo etc. Industries based on these resources have bright future in the state.

5.8 The Karnataka state has a good net work of transport
system and a reliable communication system. It has all the four important modes of transport. It has the railway root length of 3089 Kms. and road length of 135104 k.ms. Karnataka has a coastal line of 320 Kms and has 20 ports. There are two airports in the state and has an inland Air Cargo Complex at Bangalore. There were about 9761 post offices, 4083 telegraph offices and 1799 telephone exchanges in the state in 1992-93.

5.9 At the end of March 1995 there were 4395 bank branches in the state with 2392 branches situated in rural areas. The population served per branch was 10,000. The total deposits of the scheduled commercial banks stood at Rs. 19675 crores at the end of March 1995 and advances were of the order of Rs. 13330 crores. Credit Deposit ratio was 68%.

5.10 The analysis based on integrated index of development shows that at the end of 1991-92 in Karnataka there were six backward districts and nine developing districts. There were only two developed districts namely Shimoga and Bangalore and two highly developed districts namely, Mandya and South Kanara. This inter district imbalance needs to be corrected. The available resources have to be utilised fully to bring about over all development of the state.

5.11 The Karnataka State Financial Corporation was established on 30 March 1959 with the main objective of providing long term credit to small and medium scale industries. Its activities extend to the whole of Karnataka. As on 31-3-1996 there were seven zonal offices, sixteen "A" grade offices, seventeen "B"
grade offices and four field offices spread throughout the state. Each district of the state has a branch office. The KSFC has formulated about 25 different schemes to suit the needs of the different types of entrepreneurs. It also offers other financial services such as Lease Finance, Hire Purchase, Merchant Banking and Factoring services.

5.12 KSFC is extending financial assistance to artisans, village and cottage industries through 'Composite Loan Scheme'. The maximum limit under the scheme is Rs. 50,000. As on 31-3-1996, KSFC has financed 32,203 units a sum of Rs. 5348.48 lakhs under the scheme. The percentage of composite loan scheme to the corporate scheme works to nearly 30% number wise and 2% amount wise. A sum of Rs. 4235.73 lakhs has been released under this scheme as on 31-3-1996. The percentage of disbursement to sanction works out to 93.23% in case of composite loan scheme as against the corporate percentage of 89.83%.

5.13 The sanctions to tiny, artisans, village and cottage industries was Rs. 37627.18 lakhs as against corporate sanction of Rs. 299281.07 lakhs amount wise and 53703 units and 108265 units respectively number wise. In percentage terms, the share of tiny and AVC sector is 12.57% amount wise and 49.60% number wise.

5.14 In 1988-89 the Corporation introduced "Rural industrialisation Programme". At least one village was selected from each taluka. In all 323 villages were selected under this scheme. A sum of Rs. 1852.02 lakhs was sanctioned to
2888 units under this scheme.

5.15 A sum of Rs. 1169.24 lakhs has been disbursed under RIP as on 31-3-1992. The percentage of disbursement to sanctions works out to 63.13%.

5.16 Under RIP the branches have sanctioned a sum of Rs. 80.69 lakhs to 296 SC/ST entrepreneurs, Rs. 264.48 lakhs to 592 monitory entrepreneurs and a sum of Rs. 140.02 lakhs to 409 women entrepreneurs. In all 8 physically handicapped persons have received a sum of Rs. 2.51 lakhs.

5.17 (a) In all 289 units spread over 20 districts of the state have been selected at random for the study. These units are situated in 56 village of 49 different talukas.

(b) Of the 289 entrepreneurs, 246 are males and 43 are females.

(c) The proprietorship form of business is popular in the rural area. In all there are 279 proprietary concerns, 8 partnership firms and private limited company and AOP, 1 each.

(d) In all there are 121 forward caste entrepreneurs, 137 backward caste and 31 SC/ST entrepreneurs. Further there are 52 illiterates among the entrepreneurs. Of the 237 literates, 105 have studied up to primary school, 97 up to high school, 24 college level and 8 have technical qualification.
(e) The age wise distribution shows that 35 entrepreneurs are below 25 years of age, 108 between 25-35 years, 89 between 35-45 years and 57 entrepreneurs are above 45 years.

(f) Of the 289 beneficiaries, 100 beneficiaries belonged to craftsmen/artisan category, 53 agriculturists, 34 had their own industry, 23 were unemployed, 29 housewives, 6 agricultural labourers and 15 nonagricultural labourers, have taken up industrial projects with KSFC's assistance.

(g) In all 237 entrepreneurs have some experience in the line of activity and 183 have undergone training. Majority of the beneficiaries have received the training at the unit of father/relative/friend. A few beneficiaries have been trained in institutions such as KHDC, LIDKAR, KSWDC, RUDSET, etc.

(h) The joint family still prevails in the rural areas. Of the total 289 beneficiaries, 244 came from joint family and only 45 entrepreneurs live separately.

(i) Of the total entrepreneurs, 271 live in their own house and 18 live in rented house. Further, 53 entrepreneurs possess land and remaining 236 do not own land. Only 8 entrepreneurs own land of 1 acre or less and 45 own land of more than 1 acre.

(j) Before approaching KSFC, 46 of the beneficiaries had availed loan from other sources. Most of these beneficiaries had approached (that is, 44 beneficiaries)
banks for their financial needs. The loan was availed mainly for agricultural activity or under the Government schemes such as IRDP etc. Of the 44 entrepreneurs who had approached banks for their financial needs, 21 beneficiaries faced problem in availing loans. The problems were, insisting on security/guarantee, entire financial requirement not met by banks etc.

(k) Most of the entrepreneurs have started textile industry with KSFC assistance. Thus 148 entrepreneurs have taken up textile industry, 55 service and other, 38 food and agro based industry, 12 chemical and polymer based industries, 10 forest based industries and 4 mineral based industries.

(l) Of the total 289 entrepreneurs, 117 have chosen a particular line of activity for the reason that it is family activity, 64 entrepreneur have chosen on their own initiation, 23 because of initiation by father/friend/relative, 35 have chosen because they underwent training in the line of activity. Only 6 entrepreneurs have chosen the lines to have some sort of off season employment and 5 because of loss in agriculture.

(m) In all 61 respondents faced problems in availing loan from KSFC The main problem was in connection with in getting Govt. permission/licenses/certificates such as nil encumbrance certificate, property extract, N.A. order etc. The beneficiaries were assisted/guided by the legal
officers of KSFC in solving the problems, in getting the certificates.

(n) The district-wise and industry-wise analysis showed that all the 6 units of Bangalore (urban) belonged to Textile Industry. The four mineral based industries are spread in 4 Districts of Shimoga, Bidar, Dharwad and S. Kanara. The highest number of Food and Agro based industries are found in Mysore and Bidar Districts. The Forest based Industries are found in Mandya (3 units) Bidar (2 units) Mysore, Dharwad, Gulbarga, N. Kanara and Hassan Districts. (1 each).

5.18 The investment in land and building, plant and machinery and working capital of 233 units was less than Rs. 10,000/-. The investment of 110 units was between Rs. 10,001 to Rs. 25,000, an investment of Rs. 25,001 to Rs. 50,000 was made by 108 units. The investment of only 11 units was above Rs. 2 lakhs. The investment of 2 units which have acquired medical equipment and laboratory equipment have been classified under other category.

5.19 In all 92 beneficiaries have availed loan of less than Rs. 10,000 from KSFC, 54 between Rs. 10,001 to Rs. 25,000, 94 between Rs. 25001 to Rs. 50,000. Thus 240 entrepreneurs have availed loan of Rs. 50,000 or less and remaining 49 have availed loan of Rs. 50,000 and above. To meet the cost of the project, nearly 44 have borrowed money from their friends and relatives, 81 have put in their own earnings and none have
approached banks.

5.20 A size wise analysis of loan sanctioned by KSFC shows that, 62 entrepreneurs have availed loan of less than Rs. 5,000, 30 between Rs. 5001 to Rs. 10,000, 54 between Rs. 10,001 to Rs. 25,000, 94 between Rs. 25,001 to Rs. 50,000. Thus 82% of the total beneficiaries have availed loan below Rs. 50,000 and remaining 18% have availed loan of Rs. 50,000 and above. Only 2 beneficiaries have availed loan of Rs. 5 lakhs and above, 5 between Rs. 2 lakhs and Rs. 5 lakhs and 23 between Rs. 1 lakh and Rs. 2 lakhs.

5.21 Only 21% of the total beneficiaries are using locally available raw material, 78% use outside material and 5 units which are engaged in service activity, do not use any raw material. Most of the beneficiaries (that is, 176 beneficiaries) procure their raw material from open market. In percentage terms, 61% of the total respondents procure raw material from open market. The other sources of supply of raw material are Government supply (5%) persons/institutions which has placed order (15%). In all 199 units face problems in procuring raw material. The problems relate to shortage of raw material (166 respondents), scarcity (12 respondents), Government control (4 units) and other problems such as poor quality, price fluctuations, transportation etc., (19 respondents).

5.22 It is found that 118 entrepreneurs have set up their industries in their own building, 77 in rented, 25 in the
buildings belonging to father/husband and 42 in portion of residential buildings. The other category include living constructed by KHDC, buildings allotted by the Govt. under different schemes (27 responding).

5.23 (a) An analysis of the workers employed in KSFC assisted sample units (both hired and family members) shows that there are 675 male workers and 207 female workers. There are no part timers. The 5 stipendaries belonged to unskilled female category. There are in all 622 male full time and 178 female full time workers, 53 seasonal male workers and 24 seasonal female workers. Of the total workers, 542 are male skilled and 127 female skilled.

(b) The textile industry employed 362 male 117 female workers of whom 308 are male skilled and 54 are male unskilled, 80 female skilled and 37 female unskilled. The Engineering Industry do not employ any women workers. The service and other sector has employed 119 male workers and 40 female workers. Only 12 male and 5 female workers are employed by mineral based Industry.

(c) The number of units by persons employed (both hired and family) shows that in all 85 units employ 1 worker each, 79 units employ 2 workers, 47 units 3 workers each 29 units 4 workers, 40 units employ workers between 5 to 10 and more than 10 workers are employed by 9 units.

5.24 The sample units employ 437 family members of whom 367 are males and 70 females. There are no family members working on
stipendiary basis and none are part timers. There are 350 male full time family members and 70 full time female family members working in the sample units. All the 17 skilled seasonal workers belong to male category.

5.25 (a) There are 308 hired male workers and 137 female hired workers in the assisted units. There are no part time hired workers and the 5 stipendary workers belong to female hired unskilled category.

(b) The main occupation of the hired workers before joining the assisted units was Craftsmen/Artisan. In all 103 belong to artisan/ craftsmen category. The next in importance is non-agricultural labour (91 hired workers). The occupation of 41 hired workers was agricultural labour, 40 service category, 27 Industry. The other category (112 hired workers) includes house wife, unemployed youths etc.

(c) Of the 445 hired workers, 393 (or 88%) belong to local area and any 52 hired workers were from outside.

(d) The caste composition of hired workers reveals that 93 belong to SC/ST, 156 to minority category and 196 forward caste. The SC/ST and minority category put together account for 50% of the total hired labour force.

5.26 (a) In respect of 159 units, (or 55%) urban area was the main market for selling the products. The remaining 118 units (41%) sell the products in the rural area.

(b) The rural industrial entrepreneurs prefer to sell their product to local consumer and urban dealer.
(c) In all 137 units face problem in marketing the products.
(d) The delay in getting payment from purchasers of finished products (96 respondents) is the important problem the entrepreneurs face in marketing their products.

5.27 The problems faced by the sample rural entrepreneurs are working capital, power, raw material, marketing the finished products, transportation etc.

5.28 Of the 289 units in all 37 had availed incentives.

5.29 In all 276 rural entrepreneurs want to continue in the rural industry even if a job is offered and 11 want to join the job and 2 have not answered.

5.30 An analysis of level of income before starting the unit and after starting the unit with KSFC assistance shows that the level of income of 268 entrepreneurs was less than Rs. 1000 and that of remaining 21 was between Rs. 1,001 and above whereas after starting the units with KSFC's assistance the level of income of 236 was bellow Rs. 1,000 and that of remaining 53 was above Rs. 1,000.

5.31 In all 277 of the 289 entrepreneurs opined that there is some improvement in their quality of life.
5.32 The Karnataka State Financial Corporation has been extending financial assistance to artisans, village and cottage industries and small scale units in the tiny sector through 'composite loan scheme'. As on 31-3-1996 the Corporation has provided assistance to 32,303 entrepreneurs to the tune of Rs. 5,348.48 lakhs. The share of the scheme in the corporate sanctions works out to 29.74% number wise and nearly 2% amount wise. As on 31-3-1996, 93.23% of the loan sanctioned under composite loan scheme has been disbursed. The Corporation is well ahead of other SFC's in the country in sanctioning loan under the scheme. The assistance to tiny and AVC which was 2.11% of total assistance as on 31-3-1983 has risen to 16.36% as on 31-3-1996, amount wise and from 15.15% to 49.60% amount wise.

In 1988-89, the KSFC introduced 'Rural Industrialisation Programme' with an objective to motivate the rural entrepreneurs to start industrial activity taking advantage of the locally available resources. Under RIP, Corporation adopted 4 villages during 1988-89, 68 villages in 1989-90, 124 in 1990-91 and 127 in 1991-92. In all 323 villages spread throughout the state were adopted by KSFC for its RIP. It has sanctioned an assistance of Rs. 1852.02 lakhs to 2888 entrepreneurs. A sum of Rs. 1169.24 lakhs was disbursed as on 31-3-1992. Thus 63.13% of the loan sanctioned was disbursed under the programme. The Corporation has sanctioned a sum of Rs. 80.69 lakhs to 296
SC/ST entrepreneurs, 592 minority entrepreneurs have received an assistance of Rs. 264.48 lakhs, 8 physically handicapped persons have received a sum of Rs. 2.51 lakhs and 409 women entrepreneurs have received a sum of Rs. 140.02 lakhs.

An analysis of sample units shows that in all 143 entrepreneurs (49%) are below the age limit of 35 years which means more number of youths have received assistance under RIP. Nearly 100 persons whose occupation was craftsman/artisan before starting the unit have been assisted by KSFC. This shows that the KSFC has attached much importance to rural artisan/craftsman. Most of the entrepreneurs (84%) have approached a financial institution for their credit needs for the first time. The analysis also shows that there is very negligible presence of village money lenders in the rural area. The analysis also reveals that the entire financial needs of the rural entrepreneurs has been met by KSFC. Thus the problem of approaching various financial institutions has been avoided. The assisted units have provided employment to 675 males and 207 females of whom 437 are family members and 445 are hired labourers. The hired labour category consists of 393 from local area, that is, nearly 88% of the hired labour force is from the local area. An analysis of caste composition of hired labour shows that 21% belong to SC/ST and 35% to minority. Of the 289 entrepreneurs selected for canvassing interview schedule, 276 want to continue in the rural industries even if a job is offered which shows that the entrepreneurs have a strong will to continue in the rural industries assisted by KSFC. Further,
277 entrepreneurs feel that there is improvement in the quality of their life.

The positive values of the correlation coefficients indicate that there is generation of employment by fixed capital, total capital and term loan.

The chi-square tend shows an improvement in the level of income after starting the unit.

Therefore,

(A) The hypothesis that "The KSFC has been playing an effective role in rural industrialisation of Karnataka" has been fully accepted.

(B) The hypothesis that "Rural industrialisation schemes of KSFC are strong in content but weak in implementation" has been rejected.