Introduction

Indian economy has made great strides in the years since independence. In 1947 the country was poor and shattered by the violence and economic and physical disruption involved in the partition from Pakistan. The economy had stagnated since the late nineteenth century, and industrial development had been restrained to preserve the area as a market for British manufacturers. In fiscal year 1950\textsuperscript{22}, agriculture, forestry, and fishing accounted for 58.9 percent of the gross domestic product (GDP) and for a much larger proportion of employment. Manufacturing, which was dominated by the jute and cotton textile industries, accounted for only 10.3 percent of GDP at that time.

Mixed Economy

India's new leaders sought to use the power of the state to direct economic growth and reduce widespread poverty. All the same, a pattern of mixed economy was evolved - the public sector came to dominate heavy industry, transportation, and telecommunications. The private sector produced most consumer goods but was controlled directly by a variety of government regulations and financial institutions that provided major financing for large private-sector projects. Government emphasized self-sufficiency rather than foreign trade and imposed strict controls on imports and exports. In the 1950s, there was steady economic growth, but results in the 1960s and 1970s were less encouraging.
Beginning in the late 1970s, successive Indian governments sought to reduce state control of the economy. Progress toward that goal was slow but steady, and many analysts attributed the stronger growth of the 1980s to those efforts. In the late 1980s, however, India relied on foreign borrowing to finance development plans to a greater extent than before. As a result, when the price of oil rose sharply in August 1990, the nation faced a balance of payments crisis. The need for emergency loans led the government to make a greater commitment to economic liberalization than it had up to this time. In the early 1990s, India's post-independence development pattern of strong centralized planning, regulation and control of private enterprise, state ownership of many large units of production, trade protectionism, and strict limits on foreign capital was increasingly questioned not only by policy makers but also by most of the intelligentsia.

Public Sector Enterprises

The Indian industrial scenario has witnessed a plethora of changes since the late 80's. Earlier, the process of industrialisation started in India with the introduction of the Industrial Regulation Act, 1956. At that time due to lack of domestic savings no entrepreneur ventured into industrialisation. Hence government on its own started a large number of public sector enterprises, concentrating on the core manufacturing and infrastructure sectors. Government supported these public sector units in all possible ways including budgetary support. This support extended to working capital also and hence efficiency was not accorded priority. The advent of public sector enterprises in India gave rise to many ancillary units in the private sector and


the process of industrialisation started in the country, albeit on a modest scale. The purchasing power of the household sector was slowly gaining momentum and its needs became apparent. As a result, manufacturing industries came into being to cater to these needs.

**Private Sector Enterprises**

In view of the inadequacy of the public sector units, some entrepreneurs ventured into large industrial manufacturing enterprises covering heavy engineering, construction equipment, machinery, materials, infrastructure, etc. These industries made their presence felt in the industrial scenario of the country. They provided employment opportunities and offered growth and development to its employees.

**India’s Small-scale Industries**

Beginning with the Industrial Policy Resolution of 1956, small-scale industries were visualised as a panacea for the country’s problem, especially, the generation of employment for a very large workforce. S.S.I sector makes a significant contribution to output or the GDP of this country. We may note that right from the beginning small-scale industries have contributed more than one-third of the country’s GDP, accounted for a larger portion of organised employment and also contributed nearly 35 to 40% of India’s exports.

The growth of the S.S.I sector has exceeded the growth of the manufacturing sector. While the manufacturing sector registered a growth rate of 9% in 1991, it declined to 6.7% in the middle of the 1990s and further declined to 5.3% in 2001. Corresponding to this, the real growth of the S.S.I sector was 9.1% in 1991 and it reached 11.4% by the middle of the 1990s and decelerated to 8.1% in 2001. Thus
the S.S.I sector's growth has been much higher than that of the manufacturing sector even in a declining phase and has contributed in a big way to the overall industrial growth. Needless to add that such a growth of the S.S.I sector has impacted positively on the GDP growth of this country. Small-scale industries account for Rs 60,000 crore exports annually\textsuperscript{23}.

As India moved into the mid-1990s, the economic outlook was mixed. Most analysts believed that economic liberalization would continue, although there was disagreement about the speed and scale of the measures that would be implemented. It seemed likely that India would come close to or equal the relatively impressive rate of economic growth attained in the 1980s, but that the poorest sections of the population might not benefit.

Statement of the Problem

Before the advent of the industrial revolution, most of the business activities used to be family-oriented and were confined to a small geographical area. As for the community itself, most members came under the banner of a single society, retaining the identity of their work. Agricultural and social behaviours changed with the advent of industrial revolution. Our society was guided by financial orientation. Mass production and mass distribution became the philosophy of business. This philosophy helped the business to satisfy the needs of the consumers at an affordable cost by catering to the demand of the latter for all manufactured goods. Today, we live in a technology-driven society. Our day begins with the use of technology-based products. Right from the morning, we use technology-driven products; we move in

\textsuperscript{23} D.M. Nanjundappa, Small Scale Industry in the Globalisation Era S.S.I Sector in India's Growth.
state-of-the-art technology-driven vehicles and manufacture market-oriented products. In the process, organisations have become the common factor of economic units.

Small-scale industries meanwhile emerged in spite of their travails over five decades as a highly vibrant and dynamic sector of the Indian economy. Now, they account for nearly 95% of the industrial units, 40% of the value added in manufacturing, 80% of manufacturing employment and about 35% of exports. The sector has provided employment to early 186 lakh persons in contrast with employment of about 80 lakh generated by the large-scale industry24.

Notwithstanding the threat of globalisation, small-scale industries have more than fulfilled the targets set for exports. It is a matter of pride that they have even exceeded the target set for them. Obviously this country has to sustain the small-scale sector if it were to maintain the higher tempo of industrialisation and if the country sets a growth rate of 11% for the industrial sector aiming at a GDP growth of 8%, small-scale industries will have to grow at more than 12%. This can provide greater impetus to employment generation and also for reducing regional disparities which are now causing considerable social tension.

Labour and capital productivity are partial measures of efficiency. We should note that labour productivity in the large-scale sector increased from Rs 41,532 in 1991 to Rs 70,557 in 1998, nearly doubling. The small scale sector showed an improvement in its productivity from Rs 12,721 in 1991 to Rs 22,014 in 1998, almost double. In

Southern Economist, Nov 1, 2002.
the matter of capital productivity, small-scale industries registered Rs 0.62 in 1991. Rs 0.69 in 1994 but declined to Rs 0.59 in 1997. The large-scale sector, more or less showed the same trend, its capital productivity declining from Rs 0.30 to Rs 0.29 during 1991-97.

However, the capital productivity was higher in small-scale sector in comparison with large-scale sector, while in labour productivity, the S.S.I sector was lower than that of the large-scale sector. Small-scale sector has both higher output-capital ratio and labour-capital ratio. On an average, small-scale unit requires about Rs 25,000 per unit of employment whereas the large-scale unit needs Rs 3 lakh for providing employment to one person.

The total number of small-scale industrial units rose from 24 lakhs in 1994 to 34 lakhs in 2001 in India as a whole. In Karnataka, their number seems to have risen from about 94,000 in 1994 to about 2,69,000 in 2001. Cumulative investment in Karnataka’s S.S.I sector reached Rs. 5,300 crores by Mar 2001. Employment in small-scale industries in Karnataka rose to nearly 16,000 persons by 2001. The employment generated has been one of the highest in districts like Bangalore (Urban), Belgaum and Dharwad. The lowest seems to be in the districts of Gadag, Koppal and Bagalkot.

With India becoming a member of the World Trade Organisation (WTO), the plight of the small-scale industries in India has become somewhat unstable. Indian small-

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scale industries find it difficult to be cost-competitive although they are capable of becoming quality-competitive. The reason behind this development is obvious – the output of Indian small-scale industries is not volume – driven and technology - driven. This is where they lose out to their foreign counterparts. Some small-scale industries have been able to withstand the onslaught of the market dynamics engendered by the WTO regime. In fact they have been exporting hi-tech equipment to advanced economies like USA, UK, Germany, etc. Thus, if a handful of the small-scale industries of India can give the so-called multi-national companies (MNCs) a run for their money, why the remaining small-scale industries cannot emulate them is a question that is often posed from some quarters. This question is not without substance.

The answer, as usual, lies between the two extremes – our small-scale industries can hit back, provided the enabling environment is created by the government and other agencies connected with small-scale industries. Amongst the agencies entrusted with the task of providing the enabling environment is the District Industries Centre. The Industrial Policy Statement 1977, it may be recalled, stressed on the wider dispersal of cottage and small industries into rural areas and small towns. The concept of District Industries Centres was also mooted so as to provide services to small industries under one roof. In the circumstances, the study of performance of the District Industries Centre would contribute immensely from the point of view of the small-scale entrepreneurs themselves and the regulators, viz., the government with the plethora of departments and agencies reporting to it in respect of small-

scale industries. DICs have played a prominent role in the development and promotion of industries not only in rural areas but in other areas too. Accordingly the present study is undertaken to study the promotional and developmental role played by DIC, Dharwad district. Since the said DIC was set up more than two decades ago, it is high time the said DIC’s performance was assessed to determine how successful it has been in fulfilling its avowed goals and objectives.

Hence this study,

*An Assessment of Promotional Role of the District Industries Centre in Dharwad District*

Review of Previous Literature

1. A detailed study of the key findings of the All-India Census for Small-scale Industries conducted by Small Industries Development Organisation (SIDO) for 1972 and 1988 revealed the following:

<table>
<thead>
<tr>
<th>Findings</th>
<th>1972</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units</td>
<td>2,57,797</td>
<td>9,86,861</td>
</tr>
<tr>
<td>Number of Reserved Products</td>
<td>177</td>
<td>1,075</td>
</tr>
<tr>
<td>Number of Reserved Products</td>
<td>166</td>
<td>843</td>
</tr>
<tr>
<td>Manufactured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>16,53,178</td>
<td>36,65,810</td>
</tr>
<tr>
<td>Investment in Machinery</td>
<td>7,967</td>
<td>29,264</td>
</tr>
</tbody>
</table>
Well over 20,00,000 jobs were created in the sector during the period 1972-1988. Investment in machinery almost quadrupled. It is clear from the foregoing Table that significant growth was achieved on all fronts of the sector during the period 1972-1988.

2. The National Council of Applied Economic Research & Friedrich Nauman-Stifftling (FNST) came out with the study, Structure and Promotion of Small-Scale Industries in India – 1993. The study revealed that:

- The small-scale industries are a non-homogenous sector in terms of products manufactured, value added, capacity utilised and employment generated.

- 4.7 percent of the small-scale industries use automatic process. 38.7 percent use semi-automatic process and the remaining 56.6 percent use manual process.

- The future of small-scale industries can be bright if steps are taken to help them become competitive and innovative.

3. The NIPFP (National Institute of Public Finance & Policy) Survey, 1994-95 on the impact of budgetary changes in Central Excise policy with regard to the S.S.I sector found that the withdrawal of excise concessions on the products manufactured by small-scale industries using the brand names of others adversely affected the latter since it lost an assured market for its products.

4. The NIPFP Study, 1996 on Central Fiscal Incentives and Concessions to Small-Scale Industries - Impact on Growth and Structure, revealed that:
- Small-scale industries had been responding well to incentives and increasing their market share
- Capital productivity and labour productivity had been improving.
- Growth and productivity in respect of reserved as well unreserved items had been increasing.
- Concessional finance was sorely missed
- Most small-scale industries suffered from reduced market share, obsolete technology and working capital crunch

5. The Confederation of Indian Industries' (CII) Survey (1996) on Sales, Production, Employment, Capacity Utilisation and Exports of Small-scale Industries revealed that competitive products had entered the market. Exports had increased substantially. Even the cost of production had been increasing gradually.

6. The Business Outlook Survey of Small Industry conducted by CII in 1996 on the Perception of the Impact of Liberalisation revealed that:
   - 50 percent of the respondent units, numbering 400, had improved their marketing trends
   - 40 percent of the respondents agreed that the quality of the products was improving
   - 18 percent of the small-scale industries had resorted to venture capital
   - 53 percent of the small-scale industries agreed that the market would get competitive.
   - ISO 9000 was indispensable
According to CII’s (1998) Business Outlook Survey on Small Industry, which considered a sample of 400 units:

- 62 percent of the respondents opined that the general business environment for small-scale industries had deteriorated; 30 percent opined that the status quo ante continued.
- 48 percent of the respondents opined that the prospects of exports had worsened and 41 percent of the respondents found it to be the same. Only 11 percent opined that there had been an improvement.
- Credit period availed of by the debtors had increased to 45 days.
- 56 percent of the respondents had problems arranging collateral security.
- A large number of small-scale industries were saddled with obsolete technology. Delayed payments, lack of credit and finance, shortage of power and infrastructure, inadequate marketing facilities and shortage of raw materials were the other problems cited by the respondents.

Feedback received from associations of small-scale industries at the seminars conducted by SIDBI in 1998 revealed the following requirements of the S.S.I sector:

- Inspector Raj should be done away with.
- Entrepreneurship among women should be encouraged.
- The stamp duty mechanism should be streamlined to facilitate factoring and securitisation.
- Small-scale industries should be defined uniquely – there should not be various definitions for small-scale industries.
• Law relating to small-scale industries should be simplified and made transparent.

• Reserved items in respect of tiny and cottage industries should be continued and de-reservation of the products for small-scale industries must be made in a phased manner.

• Fiscal policies of the Central and State governments should be oriented towards the growth of small-scale industries.

• A separate directorate must be set up for tiny and cottage industries.

• Excise exemption should be continued to encourage small-scale industries.

• If the purchaser fails to make payment even after 120 days, deduction of expenses to the extent of outstanding dues for calculation of income tax could be disallowed.

• Single point inspection at yearly intervals will greatly reduce the hardship caused by Inspector Raj.

• A separate agency akin to BIFR should be established to monitor sick units. Incentives should be provided to sick units generously.

• State government should locate clusters for small-scale industries. Industrial Parks must be established for the purpose.

• When a company is liquidated, top priority should be accorded to the claim of the small-scale industries, if any, over the company.

• Infrastructure development for the growth of small-scale industries should be accorded top priority.
**Issues Arising from Institutional Finance**

- Timely and adequate funds should be made available to small-scale industries.
- State Financial Corporations should be restructured in such a manner as to make their policies S.S.I - friendly.
- Financing through the venture capital route should be appropriately reoriented.
- Dedicated branches of financial institutions / banks should be set up to cater to the requirements of small-scale industries.
- SIDBI should co-ordinate the financing activities with State Financial Corporations and commercial banks.
- SIDBI should establish a dedicated cell for merchant banking activities.

**SIDBI – related Issues**

- SIDBI should popularise the various financing schemes framed by it for small-scale industries.
- SIDBI should devise programmes aimed at human resource development, entrepreneurial development and technological upgradation for small-scale industries.
- The absence of research infrastructure is badly felt by the various associations of small-scale industries.

8. **SIDBI Survey (1998-99)** on the *Emerging Needs of the S.S.I Sector in India* revealed that:
- There is a need for policy shift – from one of protection to one of promotion
- Duty structure needs to relaxed
- Excise should be exempted in respect of products bearing the brand name of a third party.
- There is a need for evaluating infrastructure
- Well organised clusters should be organised based on resources
- A database, common facility centres, etc should be developed in coordination with industry associations.

9. **Eresi, K (2001)**, in *Personnel Practices in Small Scale Industries of Bangalore City – A Survey*, concludes that small-scale units need to improve and update their personnel practices. The said units generally do not employ people well versed in personnel management and even the few appointed do not keep abreast of the latest developments in human resource management. Ironically, these units make no bones about hiring specialists in the fields of finance, production, marketing, etc. Hiring a ‘personnel expert’ is deemed as something ‘less important’ since ‘anybody’ can do the personnel expert’s job. This precisely is where most of the units get into trouble, according to the researcher.


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temporary sources of funds compared to permanent ones since their examination of the sample units revealed that the short term liabilities of the said units were four times more than their long term liabilities. The researchers also maintain that the sample units are unaware of the existence of industrial corporations and regional rural banks. Banks and the State Financial Corporation (APSFC) are the most important sources of term finance from the point of view of the sample units. Most of the sample units avoid financial institutions on account of the involved procedures and protracted delays. The interest burden of the sample units is rather high and around 70% of the profit earned by the small business units is used up in settling interest costs.

11. Anitha, H.S & Laxmisha, A.S (2001) in *Financing the Entrepreneurs - An Evaluation of KSFC* infer that KSFC’s funds are lent more to developed districts than backward districts. The corporation has failed to meet the working capital requirements of the entrepreneurs. Entrepreneurs prefer to remain sole proprietors, despite the demerits it entails.

12. Selvaraj, V (2001) in *E-Commerce Boon to Rural Small Entrepreneur* suggests that direct marketing associations of small entrepreneurs from rural areas be created at district level or union level to host websites. This will help the members of the association to conduct electronic commerce. The

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researcher is of the view that internet and electronic commerce can be exploited to improve the profitability of village and cottage industries.

13. **Arora Parag (1997)**\(^{31}\), in *SIDBI's Project Appraisal Mechanism, Time Taken for Appraisal and Suggestions for Improvement*, suggests that the appraisal mechanism obtaining in banks in general should be familiar with the nitty-gritty of the numerous activities taken up by the small-scale industries. The appraising officer at times is required to appraise a proposal for an industrial activity of which he knows next to nothing or superficially. As a result, the appraisal itself turns out to be erratic for no fault of the borrower. The appraising officer, according to the author, should be thoroughly familiarised with all the possible industrial activities that small-scale industries could take up with the bank’s assistance. This will also help in proper monitoring of the end use of the loan.

14. **Babu Venkanna Kakarla**\(^{32}\) in *A Study of Marketing Problems in Small-scale Industrial Units in Bangalore*, argues that the plight of small-scale industries can be bettered by ensuring that the agencies, government or otherwise, entrusted with the task of extending marketing assistance to small-scale industries go about their task professionally. Presently, he feels, the requisite professionalism is lacking in these agencies with the result that their presence makes no significant difference to the marketing efforts of small-scale industries.


\(^{32}\) Babu Venkanna Kakarla, *A Study of Marketing Problems in Small-scale Industrial Units in Bangalore*
15. Bhaskaran Vishal\textsuperscript{33} (2000) in \textit{Investment Scenario in West Bengal}, traces the immense contribution of the small-scale industries particularly those in the jute sector to employment generation in the state of West Bengal. However, he argues that when jute exports were booming, the government, the entrepreneurs as also the workforce became complacent and gave up farsightedness for good, little realising that even the best of business could fail, owing to extraneous reasons. He concludes by saying that while being dynamic in business promotion activities is welcome, aberration from the established principles of conservatism in respect of business fundamentals is an unwise move, which is almost impossible to correct at a future date.

16. C S Yatnalli, and B Krishnamurthy\textsuperscript{34}, in \textit{Sickness in Small-scale Industries – a Brief Review}, opine that notwithstanding claims to the contrary, Inspector Raj – related hassles still plague the small-scale industries. Small-scale industries, according to them, have become the favourite whipping boy of the government and the bureaucrats. They cite the unduly high power charges and in some cases, even the taxes levied by the local self-governments as some of the most abominable dampeners that the small-scale industries have to learn with. A paradigm shift in the mindset of the bureaucracy alone can reverse this trend, according to them.

\textsuperscript{33} Bhaskaran Vishal, \textit{Investment Scenario in West Bengal}, 2000
\textsuperscript{34} C S Yatnalli, M Com and B Krishna Murthy Ranebennur, \textit{Sickness in Small-scale Industries – a Brief Review}
17. **Dhamija Punnet**³⁵ (1998) in *Vendor Development Scheme: SIDI’s Strategy to Increase the Flow of Business*, while approving the salient features of the vendor development scheme formulated by the Small Industries Development Institute (SIDI), entertains serious misgivings about the practicability of some of the provisions of the scheme. He supports his impression by citing the case of some successful large scale industries particularly in the automobile sector which for many years have been paying the same price for the supplies made by the small-scale vendors even as they (the large – scale industries) have hiked the price of their own products at least twice in the recent past.

18. **Dr C S Basavaraj and Sangameshwar Ainapur**³⁶, in *Sickness in the Industrial Units Assisted by the Karnataka State Industrial Investment and Development Corporation – Gulbarga District*, point out that even in areas where the small and tiny industries of the district enjoyed distinct advantages in the past, hurdles have cropped up in the form of demand for higher wages by the workforce, demand for contribution to certain labour welfare measures under the various social legislations of the State and Central governments, eventually resulting in the closure of many small-scale industries. Ironically, neither the entrepreneur nor the workforce is happy about this trend which seems to have its genesis in certain measures *imposed from the outside*. In the past, these hurdles were conspicuous by their

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³⁶ Dr C S Basavaraj and Sangameshwar Ainapur, Gulbarga University, Gulbarga, *Sickness in the Industrial Units Assisted by the Karnataka State Industrial Investment and Development Corporation – Gulbarga District*
absence, yet cordial relations prevailed between the entrepreneur and the workforce. Business used to thrive. The authors eventually drive home the point that governmental interference is something the entrepreneur as well as the workforce will be happy to be without. After all, without governmental interference these units did run in the past and closure of units was something definitely unheard of.

19. Dr G Kotrappa and Venkatesh, S\(^{37}\), in *Rehabilitation of Sick Units – an Empirical Study*, reveal that rehabilitation schemes have not succeeded along expected lines on account of the tendency of the financiers to implement the rehabilitation schemes half-heartedly. As a result, some of the mistakes committed when the financing was done originally, are repeated a second time. They argue that under-financing or short-financing an enterprise amounts to turning the enterprise sick. In fact, they argue further, the sickness of most of the units can be attributed to under-financing or short-financing, in the first place.

20. N I Mulla, and B C Bannur\(^{38}\), in *Causes and Consequences of Industrial Sickness in Small-scale Industries – an Empirical Study*, conclude that prolonged delay on the part of the large industries to settle the supply bills of the small-scale industries is primarily responsible for the rot setting in. Although there are a host of other causes, the researchers are convinced that this is the most culpable negligence on the part of the large industries. What

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\(^{37}\) Dr G Kotrappa and Venkatesh, S, *Rehabilitation of Sick Units – an Empirical Study*

\(^{38}\) Dr N I Mulla, M Com, Ph D and B C Bannur, *Causes and Consequences of Industrial Sickness in Small-scale Industries – an Empirical Study, Dharwad*
is more, at the end of it all, the large industries go scot-free, while the wronged small-scale industry is paradoxically stigmatised.

21. S S Hugar39, in *Sickness in Small-scale Industrial Units – Magnitude and Remedial Measures*, finds that though the number of sick units has been on the high side, rehabilitation schemes are not promptly devised and implemented. Even when the rehabilitation scheme is drawn up, due care is not taken to ensure that the unit being rehabilitated is not exposed to the same pitfalls as before. In other words, the rehabilitation scheme is to be drawn up on a case-by-case basis, taking into account the strength and weakness of the individual unit being rehabilitated.

22. Easwar Kumar, R40 (2000), in *Industrial Sickness – Case Study of SSI Units*, avers that the so-called preferential treatment allegedly extended to small-scale industries is at best nominal. The only notable privilege that the small-scale industries enjoyed until the advent of the WTO regime is reservation of items for manufacture by small-scale industries. Even there, the large-scale units, through circumvention of the law, managed to wangle the benefits earmarked for small-scale industries. As a result, the small-scale industries have been running an unequal race all along – unequal, because large scale units also participate in it.

23. Hiremani Naik41, in *SSI’s Sickness in Davangere City – a Study*, cites the failure of medium and large textile industries to settle the invoices of small-

39 Dr S S Hugar, *Sickness in Small-scale Industrial Units – Magnitude and Remedial Measures*
40 Easwar Kumar, R, *Industrial Sickness – Case Study of SSI Units*, May 2000
41 Hiremani Naik, *SSI’s Sickness in Davangere City – a Study*
scale suppliers as the primary reason for sickness in small-scale industries in Davangere city. He maintains that even at the best of times, the medium and large textile industries in the said city were not prompt in settling the supply bills of small-scale industries. This is because the small-scale industries indulged in under-selling and the suppliers were too many and the buyers too few. Had some arrangement been made to market the surplus production of the small-scale industries, the medium and large textile industries would never have succeeded in exploiting the small-scale industries.

24. Ishwara, P Dharwad\textsuperscript{42}, in \textit{Sickness in Indian Small - scale Industries – an Overview} maintains that the reasons behind the sickness of small-scale industries in the country vary significantly from region to region with the level of development of industrial infrastructure. Poor industrial infrastructure, like power, motorable roads, marketing, have been attributed to sickness in small-scale industries in some States like Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh, Assam, Orissa. On the other hand, these factors did not play a significant role in the sickness of small-scale industries in certain States like Tamilnadu, Maharashtra, and Gujarat. In these states, inadequate and belated provision of finance, marketing hurdles, delay in realisation of receivables by the small-scale industries from large industries are the major culprits.

\textsuperscript{42} Ishwara, P Dharwad, \textit{Sickness in Indian Small - scale Industries – an Overview}
25. K S Sarala\textsuperscript{43}, in \textit{Industrial Sickness - A Case Study of a Tiny Industrial Unit} maintains that sickness in tiny units arises from the fact that they are tiny. The tiny sector is characterised by individual tiny units engaging in unhealthy competition and undercutting. Even the small-scale industries give the tiny units a run for their money. Given other handicaps like poor resources, poor marketing muscle and poor logistic capabilities amongst other things, these units are not able to move out of their rather small area of operation. Thus, these tiny units are caught in a vicious circle. Either they operate on wafer-thin margins or they wind up shop.

26. Kalyan Kumar Chowdhury\textsuperscript{44} (2000), in \textit{Role of the Organised Sector in Developing Small-scale Industries as Vendors: a Case Study of Experimental Approach}, infers that, more often than not, some units in the so-called organised sector, on the pretext of developing their small-scale vendors, try to wangle an unfair price advantage. Sometimes, the small-scale vendor is obliged to commit to supply at a constant price over a prolonged period. Thus, the small-scale vendor unwittingly walks into the trap.

27. Kumar, B.N\textsuperscript{45}, in \textit{Anytime, Anyhow, Anywhere} describes graphically the plight of the small-scale entrepreneur who is made to run from pillar to post for one reason or the other in the course of his / her daily activities at the workplace or rather out of the workplace. The entrepreneur receives summons from various departments of the State and Central governments to

\textsuperscript{43} K S Sarala, \textit{Industrial Sickness - A Case Study of a Tiny Industrial Unit}
\textsuperscript{44} Kalyan Kumar Chowdhury, \textit{Role of the Organised Sector in Developing small-scale Industries as Vendors: a Case Study of Experimental Approach}, Total Quality Management, Mar 2000.
\textsuperscript{45} Kumar, B.N, \textit{Anytime, Anyhow, Anywhere}, Business India, Sep 18, 2000

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produce various records. In addition, bureaucrats from the said departments call on the entrepreneur at the workplace. Then there is the local self-government to contend with which imposes a fresh set of taxes. This leaves the entrepreneur with little time to devote to production and with little time to market his / her products; nor is the entrepreneur in a position to appoint personnel to handle the various aspects of his / her unit's functioning. The entrepreneur often does not have enough time on his hands to collect his receivables. No wonder the unit becomes sick sooner rather than later.

28. Madhusudhana, H.C\textsuperscript{46}, in \textit{A Study of the Industrial Incentives and Their Effect on Cost of Borrowed Capital and Profitability of SSI Units in Karnataka} argues that when the project is appraised, it is assumed that the various incentives promised by the government / other agencies will flow in promptly and accordingly the cost of borrowed capital and profitability are worked out. But these incentives are seldom released promptly to the entrepreneur. The release of the said incentives takes its own time with the result that the cost of borrowed capital, profitability, etc., eventually proves erroneous.

29. Pandyan, Chella\textsuperscript{47} (2000), in \textit{Potential for Small-scale Industries in the Software Sector}, sees vast potential for software units in the small-scale sector. With the various state governments extending sales tax and other exemptions / concessions to the software sector and also considering the fact

\textsuperscript{46} Madhusudhana, H.C, \textit{A Study of the Industrial Incentive and Their Effect on Cost of Borrowed Capital and Profitability of SSI Units in Karnataka}

\textsuperscript{47} Pandyan, Chella, \textit{Potential for Small-scale Industries in the Software Sector}, 2000
that the software sector does not involve much by way of capital investment, the author suggests that all governments in the country should popularise and encourage the growth of the software industry in the small-scale sector. He rightly suggests that software units in the small-scale sector can generate more foreign exchange for the country than the so-called big corporate players in view of the fact that software solutions are export-intensive.

30. D Satyanarayana\(^48\), in *Industrial Sickness in India – Diagnosis and Alleviation* states that sickness of the units is diagnosed rather late in the country. Even if clear signs of sickness emerge, such signs are not taken seriously until the situation gets out of control. The so-called accounting tools and analytical tools in vogue in the country are useful for conducting a post-mortem and not for diagnosing the malady early. The researcher rue that our professional analysts and accountants are yet to equip themselves with tools that can diagnose the sickness well in advance.

31. Santhosh, M.R\(^49\), in *A Study on Problems in Marketing of Small-scale Industries in the Post Liberalised Economic Environment* refers to the increasingly difficult situation the small-scale industries face in the country, post liberalisation. On the price front, the units are hopelessly out-priced. On the quality front, the units are unbelievably out-performed. On trade terms too, they stand nowhere compared to the liberal credit terms offered by the suppliers of foreign-made goods. The foreign-made goods are literally dumped by the said suppliers. As a result, the small-scale vendor is required

\(^{48}\) Prof D Satyanarayana, *Industrial Sickness in India – Diagnosis and Alleviation*

\(^{49}\) M.R Santhosh, *A Study on Problems in Marketing of Small-scale Industries in the Post Liberalised Economic Environment*
to match the foreign goods supplier, feature by feature failing which the order will not materialise.

32. **Sharda Aiyar**\(^{50}\), in *Small Business Congresses: Chemical Industry – India*. Upon review of the small-scale chemical industries in the country, finds that their technological handicaps notwithstanding, these units have done exceedingly well on the domestic as well as export front. They have established themselves in a competitive market against all odds. Given the right type of encouragement at the right time, the said chemical industries can do much, much better, earning precious foreign exchange for the country and creating more jobs. Her study traces the growth of the small-scale chemical industries over a period of time and statistically proves that their contribution to the country’s economy has been consistently good.

33. **Sharma Madhukar**\(^{51}\) (1996), in *Profile and Potential for Financing SSI Units*, argues that the financing schemes for small-scale industries need to be flexible. The schemes should be more debtor-friendly. Documentation should be greatly simplified. While profiling the small-scale industrial units, he stumbles upon the fact that many units manage to stay on the right side of the definition merely to wangle the benefits earmarked for small-scale industries. On the other hand, some genuine small-scale industries have faced difficulties in obtaining finance for some flimsy reason or the other.

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50. Sharda Aiyar, *Small Business Congresses: Chemical Industry – India*

Form prevails over substance on many occasions and some of the genuine small-scale industries are thus left in a lurch.

Scope of the Study

The study covers the performance of the area falling under the jurisdiction of District Industries Centre, Dharwad.

Objectives of the Study

The objectives of the study are to:

1. Study the growth of small-scale industries in Karnataka State in general and Dharwad district in particular.

2. Study the contribution of the District Industries Centre, Dharwad to the promotion of small-scale industries in Karnataka State in general and Dharwad district in particular.

3. Study the resources the district offers for industrial promotion and development.

4. Assess the contribution of the District Industries Centre, Dharwad, to the industrial promotion and development of Dharwad district.

5. Examine the scope, if any, available for accelerating the growth of small-scale industries in the district.

6. Offer suggestions to make the District Industries Centre, Dharwad, more responsive to the needs of the entrepreneurs.
Reference Period
The study covers the performance of the District Industries Centre, Dharwad, until 31.3.2002.

Sampling Technique
200 respondents into diverse sectors like manufacturing, service, marketing and others coming under the jurisdiction of District Industries Centre, Dharwar, were selected randomly and administered the questionnaire. Out of the said 200 respondents, 50 were selected having regard to their turnover, their sectoral identity and activity.

Tools for Data Collection
Secondary data has been collected from published sources. Annual surveys of the Department of Industries and Commerce and the economic surveys of the government of Karnataka, the government of India and newspapers like the Hindu have been used.

Primary data has been collected through questionnaires and interview schedules. Maximum number of respondents has been interviewed by the research team. For the purpose of collecting the information in respect of Dharwad district, the services of research scholars have been utilised. The information was recorded by the scholars through interaction.
Limitations of the Study

1. The study covers only respondents falling under the jurisdiction of District Industries Centre, Dharwar.

2. The accuracy of the findings of the study is a function of the accuracy of the statistics furnished by the respondents. This is relevant in the context of some respondents not maintaining proper books and records with regard to the operation of their units.

Chapter Scheme

The research has been divided into six chapters as follows:

Chapter-1: Introduction

This chapter begins by tracing India’s economic growth through planning. The structure of the economy at the time of independence, the predominant role assigned to the public sector and the arrival of the new economy are examined. The contribution of small-scale industries to India’s economic growth, the importance assigned to the small-scale industries by creating a dedicated ministry towards this end, the creation of support agencies to accelerate the growth of small-scale industries and the gradual rise of the service sector are dealt with.

Chapter-2: Research Design

This chapter furnishes the design of the research. A thorough review of previous literature on the topic of the research is made. Apart from revealing the objectives of the project, it explains the various sample-related information and winds up with a brief explanation of the chapter scheme.
Chapter-3: Profile of Dharwad District and DIC, Dharwad

This chapter profiles Dharwad district, in particular, the aspects relating to the potential for industrial development offered by the district. In addition, it profiles the District Industries Centre, Dharwad, in particular, the role played by it in shaping the industrial growth of Dharwad district.

Chapter-4: Profile of the Respondents

This chapter profiles the fifty respondents considered by the study for the purpose of fulfilment of the objectives. Emphasis has been laid on profiling those aspects of the activities of the respondents as are relevant to the objectives of the study.

Chapter-5: Analysis of Data

This chapter analyses the primary data collected from the respondents. The data includes the respondents' views on the scope available for accelerating the growth of small-scale industries in the district. It also analyses the suggestions offered by the respondents to make the DIC, Dharwad more responsive to the needs of the entrepreneurs of the district.

Chapter-6: Summary of Findings & Suggestions

This chapter summarises the findings arrived at after carefully analysing the primary data. In the light of the findings made, the researcher offers in a summarised form his considered suggestions aimed at making DIC, Dharwad, even more responsive to the needs of the entrepreneurs of the district.