CHAPTER - 8

SUMMARY OF FINDINGS AND SUGGESTIONS

Introduction

The industrial development of a developing economy like India depends on the success of not only large and medium scale industrial units but also on SSI units. A well-established and efficient SSI sector would solve the economic and social problems arising out of poverty, unemployment, social tensions, etc. A strong and well-laid structure of SSI sector is an absorber of shocks released by the large and medium scale sector. The capital intensive large-scale sector displaces gainful employment of several lakh of people. The SSI sector absorbs such employable hands and reduces social tensions. Moreover, a strong and well-functioning SSI units act as a link between the large-scale sector and its success. Therefore, it can be said that there is a strong relationship between SSI sector and industrial development of any region, nation or economy.

However, the SSI sector on its part depends on certain key fundamentals. This has come to be recognised as “Infrastructure”. Infrastructure is sum total of all facilities provided by the organizers in the form of water, roads, warehousing, industrial plots and sheds, electricity, finance, material, quality testing, etc.
With a view to meet the pressing needs of SSI sector for centralized infrastructure facilities, the successive Governments at Centre and State levels under various economic plans and special programmes have made efforts in establishing industrial estates. These industrial estates are basically growth centres or can be called as "Incubators", protecting the SSI units from operational problems and ensuring their growth and continued prosperity.

In view of such substantial advantages, it is expected that industrial units located in industrial estates should show better performance than the industrial units, which are otherwise comparable but located outside the estates.

The present study is an attempt at analysing the Industrial Estates and Industrial Development in NK. It is an attempt at finding the gaps between what ought to be provided by the estate and what has been actually provided by the estate in terms of various facilities and also analyse the performance of shed based and plot based SSI units in urban and rural estates.

The study is based on 5-year period and a sample size of 25 per cent, i.e., 414 units, working units in various industrial estates of Dharwad (undivided district), Belgaum, Gulbarga and Bijapur (undivided district) as on December 31, 2000 was selected. The sample units were selected through "Stratified Random Sampling Technique". The data were collected through the administration of
“Interview Schedule” among the sample units. The study has employed basically financial ratio analysis technique to judge the financial working of the SSI units. Statistical tools were also used to test various hypotheses constructed in the study. A brief summary of important findings is presented below:

**Summary of Findings**

**I) Industrial Estates in NK**

1] The State has 157 Industrial Estates working. Out of which, large majority of them are situated in Bangalore region and old Mysore region. The Dharwad and other districts of NK have a lower share of industrial estates. There are only 62 industrial estates in NK out of 157 estates.

2] A perusal of Table 2.4 in chapter 2 reveals that there are a few number of sheds developed in NK as against other parts of the State. On an average, 28 per cent of industrial sheds and 58 per cent of industrial plots are established in NK. A few industrial sheds do not augur well for the balanced industrial growth of the State.

3] The number of industrial estates assisted and the amount of assistance given by KSFC to units in industrial estates is showing a decreasing trend in the State. The share of NK has not exceeded 17.96 per cent throughout the study period.
This lower share of NK in industrial financial assistance by KSFC is not considered to be desirable from the stand point of balanced regional growth.

4] A perusal of Tables 3.1 and 3.2 of chapter 3 reveal the following:

* The number of plots developed in the NK region has shown an increasing trend.

* The Gulbarga district is a fast developing district in terms of number of plots developed.

* In no year, sheds constructed on plots allotted are equal to plots developed. This indicates that many of the plots developed remain unallotted or not constructed. This is not considered to be a good sign.

* Though KSSIDC develops different size plots, the NK region has plots of smaller sizes, i.e., plots of all sizes are not constructed. This can be considered as a big handicap and forces people of NK region to think on a smaller level and not on bigger scale. This can also lead to flight of capital and resources to other regions.

5] Besides plot development, any industrial estates programme should also develop industrial sheds. It can be said that promotion of industrial sheds contributes more to the industrial development than the promotion of industrial plots.

An analysis of sheds development in NK reveals the following (Table 3.3 of chapter 3):
* Though the district of Gulbarga has the highest number of plots developed (Table 3.1), the district of Dharwad has the highest number of sheds developed. As on March 31, 2003, 634 sheds were constructed in various industrial estates of Dharwad, which is followed by the district of Bellgaum.

* The district of Dharwad has the highest number of sheds developed of all the sizes as compared to other districts.

* The Hyderabad Karnataka region has more number of 'C' and 'D' size sheds as compared to Bombay Karnataka region of NK.

* In no industrial estates of NK, the sheds of the sizes of Special 'A', 'B' and 'C' are constructed except in Bijapur district where one can see in small number of 'C' and 'A' size sheds.

6] **Occupancy Rate**

Occupancy rate is a measure of the extent of occupation of plots and sheds allotted. A high ratio is always desirable. An analysis of occupancy rate of NK based industrial estates reveal that the ratio is not uniform in all the districts. The highest percentage of sheds was occupied only in the districts of Bijapur, Dharwad and Bellary, i.e., 97.87 per cent, 95.66 per cent and 95.55 per cent respectively in 1993-94. In 2002-03, Raichur, Dharwad and Bellgaum districts had the highest occupancy ratio.

In addition to the occupancy ratio, the analysis also reveals that the number of sheds not-functioning is also on the rise. Sheds allotted but not-functioning indicate ill-health of the units. An analysis of
reasons for not-functioning indicates the seizure of sheds by KSFC for non-payment of loans, etc., as the predominant reason.

7] Form of Ownership of Industrial Estates in NK

The success of any region depends on the nature of units established. Mere sole-trading or partnership concerns do not help in the speedier development. One expects the joint-stock form of companies, may be private or public, to come up in the regions for quicker growth. However, initially one expects sole trading or partnership firms and over a period of time joint-stock companies to appear on the industrial map.

In NK region, the study has found more number of sole trading concerns in all the estates and in all the districts covered in both plots developed and sheds developed than joint-stock based units.

8] Nature of Industrial Units Established

Nature of industrial units established is as important as number of units and size of units established in determining the extent of industrial development. A more number of traditional trading and service-oriented units do not contribute to the regional development. It is the responsibility of the State to provide all amenities for modern units, Information Technology, Pharma, etc., units to be set in industrial estates.
Table 3.7 indicates that all types of units such as manufacturing, service, job work, etc., are established in all the industrial estates in NK. Of these districts, in Dharwad, Belgaum and Bellary, Engineering units occupy a lion’s share of the total units, i.e., 146 units out of 846 units in Dharwad, 79 units out of 377 units in Belgaum, 25 units out of 184 units in Bellary district.

In the case of Uttar Kannada, Gulbarga and Bijapur districts, Accessories, Aromatic, Pharmaceutical, Fabricating, Synthetic, Granite, Bricks, Stone Cutting and Polishing units occupy a major portion in the total units in industrial estates, i.e., 22 units out of 208 units in Uttar Kannada, 35 units out of 298 units in Gulbarga and 35 units out of 209 units in Bijapur district. Cattle feed food processing and Dairy food industrial units have a major share in the total units in Raichur and Bijapur districts, i.e., 12 units out of 115 units and 18 units out of 150 units respectively.

The industrial estates were established with an objective of developing SSI units capable of manufacturing from pin to plane. As against this objective, the sample industrial estates in the region have a long way to go.

(II) Profile of Sample Units

An analysis of profile of sample size of units selected under the study reveal the following:
The sample consists of 283 industrial sheds and 131 industrial plots. This once again indicates that plots developed are unoccupied, unallotted and units are yet to be established in the region.

Area-wise distribution of sample shows that in all the areas the number of sheds in the sample outnumbers the number of plots.

The number of urban units is more than the number of rural based units.

The activity-wise classification shows that Engineering, Iron and Steel, Technical, Accessories units, etc., occupy a major portion in districts like Dharwad, Belgaum and Gulbarga. But in rural and underdeveloped district like Bijapur, Stone Cutting and Polishing, Granite, Feed Farm and Processing units are the major industrial units.

The manufacturing units are more in number in sample estates than other forms of business units.

The service-based units are totally absent in all the rural industrial estates except in Dharwad district.

Even among sample units, proprietary form of units predominate both in sheds and plots. Private limited concerns are few in number and exist only in Dharwad and Belgaum urban industrial estates. This does not augur well for the industrial development of NK.

(III) Infrastructural Facilities

As said earlier, infrastructure constitutes one of the predominant factors for the success of SSI units. The quality and
adequacy of infrastructure facility contribute to the physical and financial growth of SSI units.

However, SSI sector in NK is suffering from lack of infrastructural facilities. The estates in the area suffer due to inadequacy of water, poor quality of sheds allotted, roads, inadequate warehousing facilities, absence of raw material provision, irregular and inadequate power supply, etc. On November 30, 2004 the Hubli-based NK Small Scale Industries Association (NKSSIA) took out a procession demanding better infrastructural facilities. The main grouse of the entrepreneurs was that the facilities are poor in Hubli industrial estate even after paying huge municipal taxes.

In the following pages, an attempt is made to study some of infrastructural facilities provided in the sample industrial estates.

(a) Availability of Infrastructural Facilities

A perusal of Table 5.1 reveals the following:

* All the facilities are made available for developed districts like Dharwad, Belgaum, etc., and not to rural estates.

* Some of the common facilities are not at all provided in the backward districts like Gulbarga and Bijapur.

(b) Development Expenditure Spent by KSSIDC

A perusal of Tables 5.2 and 5.3 reveals that:
The amount of expenditure spent by KSSIDC on infrastructural facilities is showing a fluctuating trend both in Karnataka and NK.

The share of NK has shown a fluctuating trend from a high of 50.72 per cent to a low of 21.27 per cent.

The developed districts of NK have larger share in development expenditure than the underdeveloped districts like Gulbarga, Bijapur, etc.

No development activities have been undertaken by KSSIDC in Raichur and Bidar districts.

(c) Raw Material

Availability of raw material is one of the most important determinants for the location of any industrial unit. Raw material of right quality bought at right price and from right source will greatly help business firm to utilise men, machinery and other resources properly.

It was found that 84.06 per cent of the sample units covered under the study are purchasing raw materials from outside sources, 13.77 per cent of sample units are obtaining from KSSIDC sources and 2.17 per cent of the sample units are purchasing from both the sources.

Among those who purchased from outside sources, 87.07 per cent of sample units are purchasing from local market and remaining units are purchasing from other States and countries.
The KSSIDC has established its own raw material depots in some industrial estates, particularly in urban and developed estates, for procurement and distribution of raw material to the units located in the estate. Presently, it distributes only a few variety of raw materials in a few industrial estates.

KSSIDC does not provide adequate storage facilities. 78.50 per cent of the sample units opined that they store their raw materials within the business premises and 13.04 per cent of sample units store their raw material in private warehouses constructed outside the estate. Only 8.46 per cent of the units store their raw material in the godowns constructed by the Government and KSSIDC.

(d) Finance and Banking

The provision of adequate, timely, less expensive and hassle free finance is the deciding factor between success and sickness of SSI units. The industrial estates owe a responsibility in making available the cheaper funds at right cost and at right time. The study found that 56.52 per cent of sample units employed capital ranging in excess of Rs.5 lakh, while 43.24 per cent of sample units had invested in the range of Rs.2 lakh to Rs.5 lakh.

Further, the study found that 399 units had used KSFC funds to finance their requirements and 66 per cent of the sample units borrowed in excess of Rs.3 lakh. This inadequacy of financing by
KSFC and use of heavier borrowing has affected the solvency and profitability of the sample units.

(e) Marketing

One of the important objectives for the establishment of industrial estates was to provide marketing facilities to units in the estate. Further, existence of customers within the estate absolves industrial units of the difficulty of marketing their produce. The availability of customers within the estate would act as a supplementary to each other. Items produced by one unit would become the raw material for another unit.

However, the study found that 68.84 per cent of sample units market their products in the local market, 6.04 per cent sell to other industrial units in the estates and remaining units sell outside the State and the country.

Channel of distribution plays an important role in the marketing of the products. In sample enterprises, majority of units (88.65 per cent of sample units) employed the method of direct selling.

(f) Other Infrastructural Facilities

i) Transportation

The use of hired vehicles is more common in different industrial estates covered by the study. 68.87 per cent of sample units selected
for study relied on hired vehicles, while 24.64 per cent of sample units used their own vehicles and 14.49 per cent of sample units used both owned and hired vehicles. This indicates clearly that the KSSIDC provides no transportation facility for the SSI units.

Further, on enquiry with regard to the transportation facilities to be provided by the KSSIDC, only 20.05 per cent of sample units are expecting such facilities from KSSIDC.

Regarding reliability, regularity, and cost of the services provided by the private vehicle owners, a large majority opined that cost to be high. This high cost of transportation is bound to affect profitability of the units working.

ii) Water

Water is one of the essential requirements for an industrial unit for the purpose of drinking and industrial consumption. Some industries have to depend on the water for their production activity also.

The KSSIDC and municipal corporation/local Panchayat institution concerned are the major suppliers of water to SSI units based in industrial estates covered by the study. 70.53 per cent of the sample units in different areas opined that the water supplied by both the authorities was insufficient. In underdeveloped estates, 29.47 per cent of the units expressed displeasure regarding the quantity, timing
and cost of water supplied. The irregular and inadequate water supply was the routine difficulty of the SSI units in the estates.

iii) Power

Electric power is by and large the main source of energy for the units covered by the study. Only 10 units out of 414 units have their own diesel sets for alternative arrangement of power supply along with the supply of power by SECs, while remaining 404 units selected depended on SECs source.

Almost all sample units expressed the existence of load shedding, particularly backward districts which are suffering more on account of load shedding.

The higher load shedding results into higher loss of output or capacity. The units based at Bijapur and Gulbarga districts suffered a total loss in excess of 20 per cent. The Dharwad and Belgaum districts based units have a loss of 10 per cent.

iv) Warehousing

There is an inadequate warehousing facilities in the industrial estates either for raw material or for finished goods. The survey found that many entrepreneurs store their goods in the open area or in congested places exposing the inputs and output to the sun, wind, rain, dampness, risk of theft, fire, etc.
The study found that of the 414 units surveyed, 81 units expressed the existence of warehousing facility in the estate and remaining sample units opined that there is no facility of warehousing either for raw material or finished goods. They use production places as a place of storing of inputs and outputs.

Further, among those who expressed the existence of warehousing, only 67 units are preferring the warehouses constructed by KSSIDC and the remaining units use private warehouses.

v) Post and Telecommunication

A sound communication network is the quintessence of industrial efficiency. The survey found that there were no internet web, e-mail, FAX centres in any of the industrial estates surveyed. Further, all the sample units have their own telephone connections. In large number of estates covered by the study, there is only one STD/ISD centre, while in some developed industrial estate there were two STD/ISD centres.

vi) Canteen

As per the provisions of Indian Factories Act, 1948, an industrial unit is expected to provide canteen facilities to its working class. However, a small entity cannot provide such facility. Therefore, the onus of providing such facilities rests with the managers of the estates.
The study observed that, the KSSIDC owns and runs one or two industrial canteens in Hubli industrial estate for the workers at concessional rates. But every other estate surveyed, is inhabited by numerous private canteens. Further, majority of sample units prefer the canteen facilities provided by private owners rather than of the KSSIDC canteens. Only 28.50 per cent of total sample units prefer KSSIDC canteen.

vii) Medical

Except in Dharwad district the KSSIDC is yet to provide medical facility in other estates. 70.02 per cent and 60.00 per cent of the sample units in Dharwad and Belgaum districts respectively expressed positive opinion regarding the availability of medical facilities by private doctors in the estate. But in Gulbarga and Bijapur districts only 20.59 per cent and 26.09 per cent sample units respectively expressed positive opinion regarding availability of medical facilities in the estate.

The cases arising out of industrial accidents and others are referred to private doctors. Further, there exists no ambulance facility in any industrial estate.

viii) Watch and Ward

There exists a watch and ward facility in every industrial estate covered by the study. The study found that in the developed estates
there exists even an independent police station also. Other estates have appointed or hired independent security guards.

ix) Entrepreneurship Development

The study found that 142 entrepreneurs had participated in one or more types of entrepreneurial development programme as against 414 units considered by the study. Further, 54.93 per cent of the total sample entrepreneurs had participated in EDP before as well as after the establishment of their units.

x) Other Facilities

The study found that Material Testing Centre and Quality Control Centre as two common service facilities available only in few estates for use by SSI units. This proves total inadequacy of facilities. Firefighting, sewage and waste treatment, pollution control device, etc., are conspicuous by their absence in the study area.

Thus, in conclusion, it can be concluded that the NK, needed basic infrastructure for the existence, survival and growth of SSI units in general and industrial estates in particular. The agitators on November 30, 2004, as referred above, were demanding basic facilities at Hubli, which has the second biggest industrial estate of the State. If this is the fate of Hubli city, one can definitely imagine about other places and estates.
The estates have to perform the job of incubators for nourishment and growth of SSI units. An incubators should have basic facilities. Lack of it makes it to perform less than optimally and the pre-mature baby, which has to grow in, it has no chance of survival.

Therefore, the profitability analysis of the units is expected to show a negative performance for all the areas and for all industrial estates.

Opinion of Entrepreneurs

A perusal of Table 5.22 reveals the following:

* The provision of availability of transportation facilities is good only in Dharwad district. Particularly the entrepreneurs based in Hubli-Dharwad have expressed their happiness. A large majority of entrepreneurs are unhappy in other industrial estates covered by the study.

* There has been inadequacy of water in large number of estates covered by the study.

* There has been inadequacy of power in the industrial estates considered by the sample.

* There has been inadequacy of warehousing facility in the estates covered by the study. Majority of entrepreneurs are unhappy.

* There exists adequate post and telecommunication facility in the estates and all the sample units expressed happiness in this regard.
There exists adequate canteen facility in the estate. Some of these may be owned and managed by private owners.

The medical, watch and ward and entrepreneur development facilities are provided only in the developed estates at Hubli-Dharwad and Belgaum, but these facilities are not provided in any other estates covered by the study.

The provision of quality control facility is provided only in Dharwad and Belgaum districts. A large number of entrepreneurs are unhappy in other industrial estates covered by the study.

Majority of the sample entrepreneurs expressed happiness regarding the availability of firefighting and street lighting facilities in the estates covered by the study.

The provision of material testing facility is provided in developed estates at Hubli-Dharwad, but this facility is not found in any other estates covered by the study.

**Hypothesis Testing**

The hypothesis that the quality and quantum of infrastructure facilities determine the growth of estates is tested in Chapter-5 with ANOVA, CV and SD techniques. The analysis indicates that there is a definite relationship between infrastructure and estates development. Estates with better facilities have higher rate of profitability, lower variation or instability, etc., than industrial estates with inadequate facilities (Tables 5.23 and 5.24).
(IV) Performance of Shed Based and Plot Based Units

The economic performance of any business entity is measured by its performance. It indicates the public acceptance of products/services and shows that the firm can produce/operate competitively. A fair rate of return on capital employed is a must in order to meet entrepreneurs livelihood, to provide capital for future growth, etc. The ratio of GP, NP, ROCE, and RONW can be taken as indicators of overall performance of sample units. A positive return indicates that the units have met all obligations and reported some earnings. However, mere positive return is not enough. The return should be higher enough to leave adequate profits for future requirements.

In this study an attempt has been made to evaluate the performance of sample units according to district-wise, plots and sheds-wise and urban and rural estate-wise. The analysis of plot based and shed based units performance reveal the following:

Range of GP Ratio

A perusal of Table 6.3 reveals the following:

* All the units in various sample sheds and plots are earning positive GP.

* Units based in Dharwad district are relatively more profitable in terms of GP ratio than other districts like Belgaum, Bijapur and Gulbarga. This clearly indicates that the area of establishment relatively matters. The developed districts are well-equipped to
enable units to earn a higher industrial profit rate than other districts.

**Range of NP Ratio**

A perusal of Table 6.4 reveals the following:

* NP ratio is a significant ratio. It indicates the amount of profit that is finally available to entrepreneurs. The ratio has to be positive and increasing. All the sample units are earning a positive NP.

* Units earning higher NP are more in number than units earning lower NP for all the districts considered by the sample. Units earning 11 to 20 per cent net profit are relatively more followed by other ranges.

**Range of ROCE**

A perusal of Table 6.5 reveals the following:

* All the sample units are earning a positive ROCE.

* Units earning higher ROCE are more in number than the units earning lower ROCE.

* Of the 414 units, 184 units are earning less than 10 per cent, 170 units earning between 11 to 20 per cent, 59 units in between 21 to 30 per cent and only one unit is earning higher than 31 per cent.

**Range of RONW**

A perusal of Table 6.6 reveals the following:
Out of 414 units, 253 units are earning less than 10 per cent RONW. This is in contrast to the ROCE, as revealed by Table 6.5. 184 units only were earning less than 10 per cent ROCE. This clearly indicates that a large number of industrial units in industrial estates of NK depend more on expensive debt capital, i.e., they borrow at a rate higher than the return on assets.

Units earning RONW less than 10 per cent are in large number in all the districts considered by the study.

Though ROCE was in excess of 31 per cent in respect of only one unit, for 20 units, the RONW was higher than ROCE.

Units based in Dharwad district are relatively more profitable in terms of GP ratio than other districts like Belgaum, Bijapur and Gulbarga, i.e., out of 205 units, 27 units are earning GP in excess of 31 per cent, but no unit in any district covered is earning GP in excess of 31 per cent.

Units earning higher ROCE are more in number, i.e., 170 units out of 414 are earning 11 to 20 per cent and 59 units are earning 21 to 30 per cent range. While units earning lower RONW are large in number, i.e., 253 units out of 414 are earning less than 10 per cent RONW. This states that a large number of units in the industrial estates of NK depend more on debt capital.

All the sample units based on sheds and plots are earning a positive GP but there are only 4 plot based units earning a GP in excess of 31 per cent, whereas 25 shed based units are earning in excess of 31 per cent and 2 shed based units are earning in excess of 41 per cent. This clearly indicates that the shed based units are more profitable than plot based units.

In Dharwad district a majority of units earn less than 10 per cent of NP, while in other districts majority of sample units
based on shed, and plots are earning NP in the range of 11 to 20 per cent. There is a paradoxical situation here. The Dharwad district based units show more GP ratio than NP ratio as compared to other districts. The low NP ratio in spite of high GP ratio is a pointer to the fact that Dharwad district based units spend more on 'other operating expenses'.

* Material cost has been the predominant cost for all the sample units covered by the study. The ratio has been very high, i.e., in excess of 73 per cent throughout the study period.

* The other operating expenses to sales ratio has shown an increasing trend in Dharwad district for both sheds and plots. A fluctuating trend is observed in Belgaum and Bijapur. It is showing a decreasing trend in Gulbarga district. Therefore, Dharwad district based units, as already said, are spending more on 'other operating expenses'.

* The ratio of interest expenses to sales for all the districts has been decreasing throughout the study period. Though the ratio is showing a decreasing trend, in comparison to operating expenses to sales ratio, the interest expenses to sales ratio has been relatively on higher side. This clearly means that all the sample units spend more on interest expenses while Dharwad based units spend more even on operating expenses. The higher burden of interest cost speaks of higher dependence on debt capital.

* The NP to sales and NP to CE clearly indicates that the shed based units are relatively more profitable than plot based units. This has been true for all the districts for all the period and for all types of units considered by the study.
All the sample units have positive and increasing productivity gains throughout the study.

Industrial units based in Dharwad district are earning a higher labour productivity for both sheds and plots and for higher profit per hired worker than the other districts.

Shed based units are earning higher profitability per worker as compared to plot based units except in Gulbarga district.

All the estate based units employ more hired workers than family workers. The plot based units of Belgaum and Bijapur districts, employ no family workers.

The profitability, in general, has been by and large good in plot based and shed based units. However, the performance has been more good in shed based units than in plot based units. Therefore, it can be said that sheds are profitable than plots. This could be due to flexible nature of sheds than plots. An industrial plot once allotted consumes lot of time and cost in materializing as an industrial unit. On the other hand an industrial shed is ready to occupy from day one and relieves the units the problem of establishing the unit on their own. This could be the big disadvantage of plots than the industrial shed.

(V) Performance of Industrial Units Based in Urban and Rural Industrial Estates

For balanced growth, industrial units established in all types of regions of the State should work effectively and efficiently. The rural estates have a different purpose to serve than urban estates. A rural
estate has to provide most convenient and cheaper avenues for rural entrepreneur to establish their units and work for the development of rural areas.

The urban estates have a role of providing concessional plots and sheds to urban based intellectual and creative youth.

An analysis of urban and rural industrial estates' performance reveal the following:

Range of GP

Table 7.3 reveals the following:

* It is very interesting to note that more number of rural plot based units are earning higher GP than urban based units. 11 out of 39 units are earning 21 to 30 per cent range, while only 9 out of 94 earn in that range in urban plots.

* No rural based units are earning GP in excess of 30 per cent. This clearly indicates that urban estates based units are more profitable than the rural estate based units.

Range of NP

Table 7.4 reveals the following:

* Urban based units in Dharwad district present peculiar result as compared to other districts. Large number of sample units are earning less than 10 per cent of NP, while majority of the sample units based in urban and rural estates are earning in the range of 11 to 20 per cent of NP.
District-wise comparison shows that Dharwad district rural estate based units are more profitable than others.

**Range of ROCE**

A perusal of Table 7.5 reveals the following:

* Units earning lower rate of return on capital employed are relatively more both in urban and rural estates than the units earning higher rate of ROCE.

Though GP and NP ratios for sample units are on higher side, the lower range of ROCE indicates that the units are relatively investing more in capital to generate sales. It also speaks of poor operating performance of the units.

**Range of RONW**

Table 7.6 reveals the range of RONW in sample units.

It can be discerned from Table 7.6 that units have better RONW position than ROCE. This could be attributed to their dependence on debt capital in financing their ventures. It is because of this reason that RONW is higher than ROCE.

Further, it can be said that RONW of urban based units is higher than the RONW of rural based units. This again confirms the hypothesis that urban based units are more profitable than rural based units.
The testing of hypothesis also confirms this truth. The average performance of urban based units is much better than the rural based units.

Summary of Suggestions

Industrial development is a sine quo non for speedier economic development of any region, State and country. The industrial development involves establishment of units by industrialists, be they small or big units. The entrepreneurs will take to industrial promotion only with proper encouragement, support and provision of basic facilities by the State.

It is the responsibility of the State to create proper environment, because industrial development does not occur on its own. Industrialists themselves cannot develop infrastructural facilities. It is the State which has to ensure availability of basics and see that entrepreneurs make use of the facilities.

Between small entrepreneurs and big entrepreneurs, the latter depend on the State's help to a limited extent than the former. The small entrepreneurs with limited resources at individual level look at the State to create and develop proper structure, institutions and facilities to establish their units, earn living and contribute to the region's development. To meet such needs, industrial estates were promoted at several centres with all the infrastructure, material, marketing and finance facilities.
Initially, the industrial estates worked well and did contribute tremendously to the economic, social and industrial development of the regions. The industrial estates became the focus of attention and for individual entrepreneurs as “centres of development”. With the explosion in population and educated youth, the State did not match with the growing number of dependents on industrial estates by providing more facilities in industrial estates and by developing new industrial estates. This lack of new well-equipped industrial estates resulted in over exploitation of the existing structure and failure of the system. The erstwhile Peenya Industrial Estate and Hubli Gokul Industrial Estate in Karnataka State are now a pigment of their past. In a hurry to develop new industrial estates, the limited resources were thinly spread to new and existing industrial estates, resulting in lack of basic facilities in all industrial estates, both in urban and rural. Nowadays, one does not find any big difference between urban estate and rural estate in terms of facilities and working.

The NK is the most backward region of the State with the area depending on agriculture and allied activities for the sustenance and survival. The region lacks the basic facilities for industrial development. This could be the reason why there is no big concern worth mentioning, operating in the region. This is in spite of 50 years of economic planning both at Central and State level. The SSI is the only sector which has come in a big way to boost the economy of the region. Industrial estates and areas were developed to encourage local
entrepreneurs to establish their units and stop their migration to already overcrowded metros and cities. Nowadays, IT parks are also developed in the region to develop the IT skills of local population and provide an opportunity to resident entrepreneurs to be part of main stream of economic development in the region.

However, as far as infrastructure facilities are concerned, the less said, the better it is. The roads, railways, power, water, material, marketing, warehousing, etc., are grossly inadequate and are of sub-standard. How can one expect the region to develop when there is no better communication network, transportation network, water facilities, regular power supply, etc.? As a result, the NK region has remained an undeveloped part, providing a scope of chauvinist leaders to raise the banner of revolt and separation.

The present study is an attempt to study the industrial development of NK region of Karnataka through industrial estates. A summary of findings provided above clearly shows that the above description is true to the fact. The region lacks all the facilities except in few industrial estates at Hubli, Belgaum, etc. The lack of infrastructural amenities, however, has not dampened the spirit of SSI sector entrepreneurs. The units have shown profitability for all the periods of the study, in all the areas and in all types of units. This can definitely be said that "region's entrepreneurs are known for working under adversity" and they have converted this adversity into prosperity. If better facilities are provided, it can be said that the
region will overtake all other regions in terms of development indicator. The study has selected only working units for evaluation of the linkage between industrial estates and industrial development in NK region. To this extent, one can say that the study is narrow and cannot be generalized. However, hundreds of units have become non-working due to abject conditions of infrastructural and entrepreneurial development facilities. Units which could not withstand the paucity became non-working and units which withstood the paucity survived and are earning profits despite the unfavourable surroundings.

The region for its development quickly requires the State to initiate on war-footing basis measures to improve the condition for industrial development and provide a proper ground for SSI sector and large units to be established. The study offers the following suggestions in view of the findings made:

1] **Infrastructural Facilities**

There is a need to improve the basic infrastructural facilities in the region by drafting a wider programme. Of course, the problem of funding arises. The State of Karnataka is already experiencing resource crunch and has shelved many developmental activities. With continuous draught conditions, it is difficult to imagine for the Government to spend vast sum of money on creating better infrastructural facilities. However, there are positive signs. The
Government of Karnataka can raise required resources through mechanism like:

* Issue of infrastructure bonds,

* Raising of loans from international lending agencies like World Bank, International Monetary Fund (IMF), Asian Development Bank (ADB), etc.

* Creation of separate corporation for infrastructure growth on the lines of Konkan Railway Corporation.

The State has already made a progress in this connection and a State level "Infrastructure Development Corporation" has already been established. One has to wait for this institute to work and help in industrial development.

2) Implementation Hassles

The above suggestion should not be taken to mean that there are no plans for industrial development in the State. The existing plans have become failure not because they are drafted poorly but because they are executed badly. Therefore, it can be said that even a new plan, if executed by the same agencies, cannot be expected to work wonders for the region. The machinery involved in the execution is riddled with corruption, violation of rules, red-tapism, etc. Therefore, there is a need to relook at these agencies for industrial estates in the region. The KSSIDC, KIADB, District Industry Centre (DIC), etc., should work in tandem. Further, do you need all those agencies? If
so, why? This has to be clearly spelt out. Moreover, the functioning of these agencies should be scrupulously reviewed. Community participation be given a thought in their working. The local entrepreneurs, representation of chambers of commerce, intellectuals, etc., in the process of schemes development, execution and administration. Though this is easier said than done, however, a thought can be given seriously.

3] Integration of Institutions

The industrial estates for their growth expect an integration of multi-dimensional agencies, like KSSIDC, KIADB, KSFC, DIC, Centre for Entrepreneurship Development of Karnataka (CEDOK) SECs, Warehousing Corporations, Water Boards, etc. These are various agencies involved in the State in SSI development. It looks prima facie that these institutions are at their loggerheads and should work in unison for the growth of SSI sector in the region. Though on paper, it looks to be very difficult to bring these multifarious institutions together, however, coming together can generate wonderful results.

4] Promotion of Functional Sheds

The estates of NK region have become centres for all types of units. Such a policy does not encourage the growth of the region. There is a need to give a thought to ‘Functional Estates’ than ‘Conglomerate Estates’. A functional estate is just like an IT park. It
houses similar units, for which similar facilities can be extended in the form of materials, marketing, etc.

5] **Construction of More Number of Sheds**

The study has shown beyond any doubt that sheds' promotion contributes to industrial development than plots promotion. Moreover, the occupancy ratio is high in sheds that in plots. All this speaks of favourable feature of sheds, than allowing small entrepreneurs to establish their own sheds on plots developed. The organizers themselves develop sheds and allot them. Moreover, all types of sheds construction are not seen in the area. Hence, there is a need to accommodate the aspiration of all types of entrepreneurs by having sheds of all nature.

6] **Vendor Rating**

Vendor rating is an excellent technique. A business unit should rate its vendor. However, a small business unit cannot do this task. Therefore, KSSIDC has to assume the responsibility of supplying the materials or at least maintain a list of rated vendors. Again this suggestion may look to be out of context in view of the fact that rating of suppliers is an outcome of demand and supply forces. A list of rated or well-known vendors can at least help the young and new entrepreneurs in limiting the number of choices.
7] Provision of Raw Material Supply

The KSSIDC undertakes raw materials supply only in the case of few SSI units. From the point of operational efficiency of SSI units, the KSSIDC must ensure regular availability of quality raw materials at right price and at right time to all units established in the industrial estates in NK in particular and Karnataka in general.

This does not mean that it should undertake supply of locally available raw materials. At least it can approve all the local suppliers from whom the SSI units can purchase. The approved list of suppliers, rated on the basis of factors like, quantity, quality, regularity, price, financial position, etc., must be circulated among the SSI units.

If this is not possible, the estate has to establish its own quality control or Material Testing Centres to verify the quality of materials in all the estates. It must insist on the SSI units in the latter case, to obtain the quality certificate from the centres.

These steps would alleviate all the problems arising out of supply of irregular, inadequate, bad quality, and high cost of materials to sample SSI units. Further, this would economise the material cost per unit also. Providing a bonanza for SSI units to accelerate the levels of activity.
8] Rendering Assistance in Procuring Finance

SSI units for their prosperity require provision of adequate, timely and cheaper source of finance. Absence of this key input has always been considered as the primary cause for sickness among SSI units. The KSSIDC on its part should formulate schemes of financing beneficial to SSI sector and must implead the KSFC in extending liberal finance facilities to viable units. Further, it must not hesitate to stand as guarantor for viable SSI units and credit worthy entrepreneurs. This act would inject necessary impetus among SSI units to improve their performance, i.e., non-viable and sick units can be converted into viable and growth oriented units.

9] Provision of Marketing Facilities

The estates lack abundantly the provision of suitable marketing network. A large majority of sample units sell their products locally or to other units in the estate. Many units encountered various marketing problems like excessive competition, lack of demand, etc., in selling their products.

The KSSIDC should popularize the products manufactured by SSI units in the estate through common advertisement and explore the opportunities of selling in other States and countries.

Organising training and lecture programmes on marketing, arranging interaction between marketing specialists and entrepreneurs,
etc., can be undertaken by the estate to mitigate the doubts and problems. The KSIMC, a specialised institution of the State Government, has been an institution of solving marketing problems of SSI units only on paper. Its non-functioning or defunct functioning can be cause for sickness among SSI units. Therefore, there is a need to recognise the activities of KSIMC and make it useful to SSI units.

10] Other Facilities

Digging out adequate number of borewells in every industrial estate, sorting out distribution problems with municipal authorities/local Panchayats, construction of water storage tanks, etc., can ensure adequate availability of water to the SSI units in the estates.

The SSI units are small consumers of power as compared to big industries. Prevailing upon SECs to minimise power shedding can solve to a great extent the problems arising out of inadequate and fluctuating power supply. In the long run the estate can think of owning an independent boiler house or electricity generating centre to regulate the power supply.

The importance of warehousing cannot be exaggerated. The storage facilities enable the unit to protect its inputs and outputs from theft, fire, exposure to rain, sun, dampness, etc. The KSSIDC should prevail upon State Warehousing Corporation to build storage facilities in the estate for the common use of the SSI units. Further, the estate
itself can go in for construction of warehouses in one or two sheds convenient to nearby sheds or in some fixed ratio, i.e., one warehouse for 50 or 60 industrial sheds. The lease rentals collected from the users can be used to repay the loan and interest obligations and to defray the cost of maintaining the facilities.

The progress and prosperity of the SSI units in the business and management requires provision of modern IT facilities in the estates. Absence of this modern key input has always been considered as the primary cause for sickness among SSI units. The KSSIDC on its part should formulate scheme of establishing modern IT centres in the estates. If this is not possible, at least it can permit the private people to start the IT centres in the industrial estates.

Watch and ward facilities needs to be critically evaluated by the estate to minimize the number of thefts and other untoward incidents. Establishment of police outpost in the developed estate, fencing the area of the estate and recruitment of security guards at entrance level can prevent the entry of third parties and trespassing.

Establishment of adequate Material Testing Centres and Quality Control Centres, sewage treatment plant, inculcating the value of environmental importance among entrepreneurs, afforestation of plants and trees for vegetation and garden purposes, etc., can enable the estate to maintain eco-friendly atmosphere in the estate.
11] **Entrepreneurship Development Programme**

The modern complex business environment requires sound management principles and techniques. A small entrepreneur needs to be equipped with these principles. Therefore, the estates/KSSIDC should insist on well-trained entrepreneurs only from establishing the units in the estate. Since this has not been done in the past, the estate should periodically arrange or conduct EDP. Crash and subsidized programmes would be able to entice the attention of the entrepreneurs. Feed back from such trainees would also be sought to improve the efficiency of EDP.

12] **Adoption of Scientific Management**

The modern business competes on cost line rather than on price. To be competitive the unit should be the low cost producer either by reducing overheads and other expenses with high quality product or by using improved machines, etc. The scientific management system by identifying non-value adding attributes in product, process, technology, etc., can help in reduction of cost.

13] **Induction of Professionals**

The modern business requires professionals because of complexities involved in its operation, competitive forces, changing demand of customers, etc. The strategic thrust can be imbibed through professional or highly qualified executives. The sample units,
particularly proprietary units, are not managed by professionals. This could be one of the reasons for the difference in performance of SSI units located in developed and underdeveloped estates. The performance of Dharwad district based units was much better than the remaining three sample districts because of professional executives involvement in the management activity.

These suggestions, if adopted and implemented on a phased manner, have multiplier effects. The units established in sheds and plots will be strengthened and made more profitable. This, in turn, helps in improving the working of industrial estates. An improvement in the working of industrial estates leads to an improvement or increase in the growth rate of industrial development in the Northern Karnataka region of the State.