SMALL SCALE INDUSTRIES IN KARNATAKA AND PROFILE OF THE STUDY AREA
Karnataka is one of the industrially developed states in India. In the annals of industrial development of the country Karnataka enjoys a unique position. Though Karnataka belongs to the category of industrially advanced state. According to the summary results revealed by ASI 1990-91, Karnataka occupies eighth place among the industrially advanced states of the country in terms of net value added\(^1\). A new approach is being adopted to remove the bottlenecks in productivity and optimum utilisation of scarce raw materials and resources. Government of Karnataka is adapted to a policy of rapid industrialization through out the state (DES, 1991-92)\(^2\).

With the advent of planning there has been industrialization as this was through to be the solution to the problems of unemployment and poverty. Under the five year plans, the Government of Karnataka accorded importance to industrialization and provided large some of money. "Government has been granting several incentives and concessions with a view to attract new industrial investments in the state particularly in the less development areas. Karnataka has been the first state to enunciate the industrial policy of its own (DES, 1991-92)\(^3\). Government set up a number of institutions and formulated programmes for
industrial development. As a result large, medium, small and tiny industries in private, public, Joint and co-operative sector have made a strident progress in terms of their numbers, investment made and employment generated.

Small Scale Industries are highly adoptable, flexible and therefore personalized. Products of small and cottage units have already made a dent in foreign market and indications are that the internationalisation of our business in likely to be promoted with the multiplication of small and medium units (Juneja, 1991)\(^4\).

The largest concentration of SSI units in Karnataka is in the field of food and beverages (1600) followed by metallurgical industries (11000), textiles and garments (9800) chemical and allied industries (7500), engineering (7500) leather and leather goods (4500), electrical and electronics (2200) and other (5700): Karnataka now accounts for nearly 20% of the country’s production. Majority of electronics units in the state, i.e., 73% are located in the small-scale sector. Out of total 246 electronics units in the state, only 66 are in the large and medium sector while 180 are in the SSI sector. The state Government is trying its best to actively promote hi-tech sectors in the state (Asha, 1992)\(^5\).

By the end of March 1995 there were 746 large and medium industries with an investment of Rs.6296 crores, providing employment to 2.8 lakhs people (GOK, 1995)\(^6\). Similarly, small-scale sector, which constitutes an important segment of the industrial economy of the State, has invested a sum of Rs.3000 crores in 2.35 lakh units, providing employment to 12.75 lakh people. The total
output is estimated at about Rs.20,000 crores per annum. About 39 per cent of the exports from Karnataka are being made by SSI units as on March 1999 (Basavaraja, 1999).7

Karnataka, a pioneer state in having modern industrialization aims at proper dispersal of industries in the State. “Though the development of industries in the country and in Karnataka has been quite impressive, it has not been uniform and was marked by concentration of industry and business in a few metropolitan areas and a few other pockets; leaving vast tracts underdeveloped and backward. Industrial development in Karnataka is lopsided and imbalanced. This is mainly because developed regions in general attract bulk of the investment and industrially backward areas suffer from lack of investment, poor infrastructural facilities, etc (Sreekantaradhyya, 1985)8.” In Karnataka, inter district imbalance is persisting and there is a growing concern about it in the context of balanced regional development which is one of the prime objectives of economic planning.

Growth Performance of the Small Scale Industries

The growth performance of the modern small-scale sector is quite impressive in Karnataka. Between the two Censuses of 1972-73 and 1987-88, in terms of SSI units, the share of the State at all India level has increased from 4 per cent to 6.9 per cent, in terms of employment, it rose from 3.9 per cent to 6.7 per cent, in terms of fixed assets, it increased from 4.1 per cent to 7.1 per cent and in terms of output, it increased from 3 per cent to 5.9 per cent (Arunkumar, 1996).9
The above details indicate that the State has improved its performance over the last 15 years under consideration. Karnataka has recorded substantial gains in each of the four items (Sandesara, 1993).10

In Karnataka State, the number of registered SSI units has increased from 1,63,524 with an employment of 10,76,512 in 1994-95 to 2,35,000 units with an employment of 12,75,744 persons in 1998-99. But the district-wise distribution of SSI units is highly unbalanced. Table III.1 gives a clear picture about inter-state or inter-district disparities in the distribution of registered SSIs in Karnataka State. The districts are arranged in descending order according to number of units registered.

**North Karnataka Region**

The North Karnataka consists of eight districts, namely, Belgaum, Bellary, Bidar, Bijapur, Dharwad, Gulbarga, Raichur and Uttar Kannada. The development of Small Scale Industries in North Karnataka is poor as compared to South Karnataka (Table III.1) in terms of Number of SSI units (57569 in North Karnataka and 106961 in South Karnataka), Number of employees in SSI units (360417 in North Karnataka and 716098 in South Karnataka) and Investment (Rs.56325.13 lakhs in North Karnataka and Rs.136891.35 lakhs in South Karnataka). The rank of the district in terms of investment is relatively very low for North Karnataka districts as compared to South Karnataka districts as indicated in Table III.1.
LOCATION OF BIJAPUR DISTRICT IN KARNATAKA STATE.
Table III.1: District-wise Distribution of SSI units in Karnataka [1994-95]

<table>
<thead>
<tr>
<th>SN</th>
<th>District</th>
<th>No. of units</th>
<th>No. of employees</th>
<th>Investment [Rs. in lakhs]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>1</td>
<td>Bangalore(U)</td>
<td>33538</td>
<td>19.90</td>
<td>288656</td>
</tr>
<tr>
<td>2</td>
<td>Belgaum</td>
<td>14168</td>
<td>8.66</td>
<td>63118</td>
</tr>
<tr>
<td>3</td>
<td>Mysore</td>
<td>14060</td>
<td>8.60</td>
<td>80888</td>
</tr>
<tr>
<td>4</td>
<td>Dharwad</td>
<td>13940</td>
<td>8.52</td>
<td>121093</td>
</tr>
<tr>
<td>5</td>
<td>D.Kannada</td>
<td>11115</td>
<td>6.80</td>
<td>73903</td>
</tr>
<tr>
<td>6</td>
<td>Tumkur</td>
<td>10152</td>
<td>6.21</td>
<td>59971</td>
</tr>
<tr>
<td>7</td>
<td>Shimoga</td>
<td>7926</td>
<td>4.85</td>
<td>35695</td>
</tr>
<tr>
<td>8</td>
<td>Bangalore(R)</td>
<td>6489</td>
<td>3.97</td>
<td>33704</td>
</tr>
<tr>
<td>9</td>
<td>Bellary</td>
<td>6300</td>
<td>3.85</td>
<td>30118</td>
</tr>
<tr>
<td>10</td>
<td>Bijapur</td>
<td>6033</td>
<td>3.69</td>
<td>34597</td>
</tr>
<tr>
<td>11</td>
<td>Chitradurga</td>
<td>5988</td>
<td>3.66</td>
<td>33278</td>
</tr>
<tr>
<td>12</td>
<td>Kolar</td>
<td>5895</td>
<td>3.60</td>
<td>42440</td>
</tr>
<tr>
<td>13</td>
<td>Raichur</td>
<td>5327</td>
<td>3.26</td>
<td>39542</td>
</tr>
<tr>
<td>14</td>
<td>Gulbarga</td>
<td>5246</td>
<td>3.20</td>
<td>29304</td>
</tr>
<tr>
<td>15</td>
<td>Mandyar</td>
<td>3590</td>
<td>2.20</td>
<td>19448</td>
</tr>
<tr>
<td>16</td>
<td>Bidar</td>
<td>3578</td>
<td>2.19</td>
<td>21451</td>
</tr>
<tr>
<td>17</td>
<td>Hassan</td>
<td>3554</td>
<td>2.17</td>
<td>18143</td>
</tr>
<tr>
<td>18</td>
<td>U.Kannada</td>
<td>2977</td>
<td>1.82</td>
<td>21194</td>
</tr>
<tr>
<td>19</td>
<td>Chikmagalur</td>
<td>2921</td>
<td>1.79</td>
<td>13827</td>
</tr>
<tr>
<td>20</td>
<td>Kodagu</td>
<td>1733</td>
<td>1.06</td>
<td>16145</td>
</tr>
<tr>
<td></td>
<td>N.Karnataka</td>
<td>57569</td>
<td>360417</td>
<td>56325.13</td>
</tr>
<tr>
<td></td>
<td>S.Karnataka</td>
<td>106961</td>
<td>716098</td>
<td>136891.35</td>
</tr>
<tr>
<td></td>
<td>State Total</td>
<td>163524</td>
<td>100.00</td>
<td>1076512</td>
</tr>
</tbody>
</table>

Source: Government of Karnataka, Directorate of Industries and Commerce, Bangalore.
The share of Bangalore (Urban) district is 19.90 per cent in terms of number of units, 26.81 per cent in terms of employment and 28.20 per cent in terms of investment. The share of top 5 districts in terms of number of units is 52.48 per cent while it is 58.3 per cent in terms of employment and 57.92 per cent in terms of investment. On the other hand, the share of bottom 5 districts is very meagre. It is 9.03 per cent in terms of number of units, 8.43 per cent in employment generation and 8.13 per cent in the capital employed by the SSI units in the Karnataka State. The above analysis highlights the magnitude of disparity in the district-wise distribution of registered SSI units.

Small Scale Industries in Karnataka and Five Year Plans

In the first Five Year Plan [1951-56] of the State, an outlay of Rs.206 lakhs (Karnataka Gazetteer, 1982)\(^\text{11}\) was provided for the promotion of industries, out of which Rs.109.19 lakhs (Karnataka Gazetteer, 1982)\(^\text{12}\) were earmarked for the development of village and small industries. The industries sector was allotted only 4.3 per cent of the total outlay of this plan. During this plan, cooperative bank was started to provide financial assistance to artisans and village industrialists. At the end of 1956, there were 1535 industrial establishments employing about 172064 persons (GOM, 1961-66).\(^\text{13}\)

The second plan of Karnataka State [1956-61] aimed at correcting regional disparities in industrial development. A sum of Rs.359 lakhs (GOM, 1961-66)\(^\text{14}\) was provided for the development of large and medium industries and Rs.680
lakhs (GOM, 1961-66) for the development of village and small industries. The outlay earmarked for the industries constituted 7.2 per cent of the total outlay. During this plan, a number of state level industries promotion bodies were set up for promotion of small industries, village industries and handicrafts. They are as follows: Mysore Small Industries Corporation Limited., Mysore Small Industries and Handicrafts Board, Mysore State Silk Handloom Weaver Central Cooperative Society, Mysore State Cotton and Woollen Handlooms Weavers’ Cooperative Society and Mysore State Financial Corporation. During this plan, eight industrial estates with 127 sheds were constructed in the State. By 1960, the number of registered small scale units rose to 1628 (Patnaik, 1962). Thus, a sincere attempt at industrialization was made during the second plan in Karnataka, laying a foundation for faster industrial growth of the State.

In the Third Plan, Rs.682 lakhs (GOM, 1961-66) were provided for the promotion of large and medium industries and Rs.775 lakhs (GOM, 1961-66) were for the village and small industries. During this plan, Karnataka State Industrial Investment and Development Corporation was set up for promoting and providing finance for the development of large industries. Training of artisans was taken up on an extensive scale and measures were initiated not only to promote industrial cooperative but also to increase the finance of these cooperatives for lending to the artisans and small industries. Efforts were also made to promote markets for the products of artisans and small industries. Total number of industrial estates completed by the end of the third plan was 12 with 216 work sheds. The Mysore Industrial Area Development Board was set up with a view to
provide industrial lands with infrastructural facilities to entrepreneurs (GOM, 1969-74). The annual survey of industries conducted in 1966 revealed that there were 2769 working factories in the State, employing 2.4 lakh persons and the gross output was Rs.229 crores in 1965 (GOM, 1974-79).

The three annual plans of the State covered the periods of 1966-67, 1967-68 and 1968-69. In the 1966-67 annual plan, Rs.96 lakhs were provided for the promotion of large and medium industries and Rs.70 lakhs for the village and small industries. In the 1967-68 annual plan, Rs.207 lakhs were provided for the promotion of the large and medium industries and Rs.25 lakhs for the village and small industries. In the annual plan of 1968-69, an outlay of Rs.75 lakhs was provided for the promotion of large and medium industries and Rs.90 lakhs for the village and small industries (GOM, 1969-74). During these three annual plan periods, eleven "growth centres" were identified by the government. The survey of industrial establishments conducted by the Department of Industries in 1969 estimated that there were 9657 units in the State with a total capital investment of Rs.3318 crores employing 2.8 lakhs people (GOM, 1974-79).

The Fourth Five Year Plan [1969-74] of the State had an outlay of Rs.900 lakhs (GOM, 1969-74) for large and medium industries and Rs.825 lakhs (GOM, 1969-74) for the promotion of village and small industries. The main objective of this plan with regard to industries was speedy and profitable utilization of electric power and an integrated and accelerated development of large, medium and small-scale industries (GOM, 1969-74). At the end of Fourth Plan, the number of
registered small industries in the State rose to 13,398, investment in the small scale sector rose to Rs.10,034 lakhs and the number of persons employed in this sector was 157901. During this plan, the Industrial Investment and Development Corporation sanctioned assistance to the extent of Rs.9.77 crores. The Mysore Industrial Area Development Board developed 4550 acres, formed 337 plots on which 298 industries were set up.

One of the objectives of the State's Fifth Five Year Plan [1974-79] was to create an enlarged, more diversified and decentralized industrial base in the State (GOM, 1974-79). The outlay for the development of large and medium industries was Rs.30 crores (GOM, 1974-79) and for village and small-scale industries Rs.21.5 crores (GOM, 1974-79). During this plan period, the number of registered small industries in the State rose to 21,933, the investment increased to Rs.20,117 lakhs and the employment to 2,83,907 persons.

In the State’s Sixth Plan, the industrial development based on the following objectives:

a) Creation of more employment opportunities for about 80 lakhs persons.

b) Rectification of the imbalance in industrialization in the State.

c) Development of agro-based and other cottage and small industries. Rs.2600 lakhs were provided for the development of village and small industries (GOK, 1980-85) and Rs.8000 lakhs for the promotion of large and medium
industries (GOK, 1980-85). At the end of this plan the number of small industries rose to 53,852, investment in small-scale sector to Rs.50,341 lakhs, number of persons employed to 529110.

In the Seventh Plan [1985-90] of the State, the number of small-scale units rose to 110600, investment to 96,630 lakhs, number of persons employed to 8,44,000 (GOK, 1985-90). From the foregoing analysis, it evident that, the SSIs are provided with all the necessary facilities for growth under the age is of the Five Year Plans by the Government of Karnataka. It is also evident that small-scale industries have not disappointed the government by registering phenomenal progress in terms of number of units, employment and investment.

In the Eighth Five Year Plan [1992-97] of the State, the total outlay was Rs.22,844 lakhs. Out of this total outlay, the share of large and medium industries was Rs.22,419 lakhs, followed by mining industries (Rs.350 lakhs) and small industries (Rs.75 lakhs).

In the Ninth Five Year Plan [1997-2002] of the State, the total outlay was Rs.1,02,600 lakhs. The allocation for small industries was the highest (Rs.56,500 lakhs), followed by large and medium industries (Rs.45,400 lakhs) and mining (Rs.700 lakhs).
The industrial policy pronouncement of the Government of India has been broadly tuned to prevailing economic mood and philosophy of the time. So the 1950’s and 1960’s were marked by arrangements for enlarging the small and handicraft industries sector. Prevention of monopoly and concentration of economic power and wider dispersal of industries were the basis thrusts of the policy during the 70’s. A clear demarcation of the roles of public, private and joint sectors in industrial development and initiation of a process of liberalization constituted the basic elements of the industrial policy during the 1980’s.

Karnataka, however, has been the first state to enunciate the industrial policy in the history of India of its own. It was announced during 1981. The objectives of the policy were:

a) Proper utilization of both men and material to get the maximum benefit to the State.

b) Creation of additional employment opportunities especially through small and cottage industries.

c) Promotion of and strengthening the institutional network provide the necessary infrastructural facilities including finance, marketing and technical guidance.

d) Removal of regional imbalances to achieve the integrated development of regions and dispersal of industries.
e) Fuller utilization of existing capacities especially in the State undertakings to put them on sound footing.

f) Connected and coordinated action to sustain the industrial growth to promote employment oriented but less power intensive industry.

**Industrial Policy of Karnataka, 1990:**

The new industrial policy of Karnataka (1990) aims at development of tiny and SSI units and also offers an equal thrust for promotion of medium and large-scale industries. The government have been granting several incentives and concessions. The new package of incentives is:

**Zone I** : Covering 2 taluks were no subsidy or incentives are available.

**Zone II** : Covering 38 taluks were 15 per cent of the value of fixed assets subject to a maximum of Rs.15 lakhs for tiny, small, medium and large-scale industries.

**Zone III** : Covering 129 taluks where 20 per cent of the value of fixed assets subject to a maximum of Rs.20 lakhs for tiny, small, medium and large-scale industries.

**Zone IV** : Covering 6 taluks and three growth centres to be set up at Dharwad, Hassan and Raichur, where 25 per cent of the value of fixed assets
subject to a maximum of Rs.25 lakhs for tiny, small, medium and large scale industries.

Important Institutional set up in Karnataka State

The government has constituted various agencies with the specific objective of accelerating industrial development like providing industrial land for the entrepreneurs in the growth centres and other identified areas, finance/promotion, marketing of industrial products, establishment of industrial estates/sheds, procurement and distribution of raw materials.

Directorate of Industries and Commerce is the premier organization of the State Government for the development of industries in general and SSIs in particular. This is said to be the oldest of its kind in India and was established in the year 1913. The functions of the directorate are of two types promotional and regulatory. The former consists of providing all kinds of incentives and concessions and the latter includes registration of new units.

The Karnataka State Small Industries Development Corporation [KSSIDC] is playing a vital role in promoting development of small scale sector by providing services like construction of industrial sheds, procurement and distribution of raw materials and management guidance to SSI entrepreneurs, and supply of machinery on hire purchase basis. KSSIDC has a network of 23 depots for the distribution of raw materials. The KSSIDC supplied raw materials worth Rs.45.25 crores to the SSI units during the year 1992-93 as against Rs.54.27 crores supplied
during 1991-92. During the year 1991-92, about 97 sheds were constructed and the total number of sheds constructed up to the end of March 1992 reached 4244 in various parts of the State. KSSIDC executes and maintains industrial estates in different regions of the State in order to achieve dispersal of industries to the backward areas, promotion of SSIs and entrepreneurship on an extensive scale.

The Karnataka State Small Industries Marketing Corporation Limited, which is a subsidiary unit of KSSIDC, was established in the year 1984. It provides marketing assistance to the SSIs of the State. For the promotion of SSIs in the State, Small Scale Industries Service Institute [SISI] renders number of services like technical consultancy services, economic information services, Management consultancy service, marketing help, export promotion services, research design and development activities. Technical Consultancy Services Organization of Karnataka [TECSOK] set up in 1976 mainly to need the needs of small-scale and medium-scale industries in the State. It identifies project ideas and investment opportunities, disseminates information on incentives and concessions, select suitable locations for establishing SSIs, prepares project reports, conducts industrial potential surveys and conducts and coordinates entrepreneurship development programmes. KSSIMC has achieved a turnover of Rs.40 crores during 1991-92 by marketing the produce manufactured by SSI units and earned a profit of Rs.32.19 lakhs.

Karnataka Industrial Area Development Board [KIADB] was set up in 1966 to develop industrial areas in different regions of the State with a view to achieve
spatial diversification of industrial development. KIADB agency to develop industrial areas, declared by the State government for acquiring the land and allotting the same to the entrepreneurs after developing infrastructural facilities. In industrial areas, basic facilities are provided but the factory sheds are not to be built by the government and are to be built by the entrepreneurs. Developed plots are allotted to all categories of industries, viz., large, medium and SSIs. In the current year, 208.12 acres of land was allotted to 430 units. The expenditure incurred for the development of infrastructural facilities was Rs.815.08 lakhs during 1990-91 and Rs.1322.27 lakhs during 1991-92.

**Karnataka State Industrial Investment and Development Corporation**

This corporation plays an important role in industrialization of the State by providing financial assistance for promoting modernization and rehabilitation of industries mainly in the medium and large-scale sector. It participates in the capital investment of the proposed projects in collaboration with the parties at the State and district level, particularly in essential and priority sectors. The corporation provides escort services for the projects cleared in the State level single window agency for speedy implementation. The corporation functions as the Nodal Agency for providing assistance to Non-Resident Indians [NRIs] for establishing industrial units in the State. KSSIDC has sanctioned term loan assistance of Rs.69.33 crores to 75 units and disbursed loan to the tune of Rs.54.96 crores to 104 units in the year 1992-93.
KSFC was set up on March 1959, mainly to promote industrial entrepreneurship and to facilitate the balanced industrial growth in the State giving special attention to SSIs in the backward areas.

During 1994-95, the flow of term loan assistance from KSFC growth centres (Zone-III) accounted for 3.41 per cent, industrially developing areas (Zone-II) accounted for 58.88 per cent and industrially developed areas (Zone-I) accounted for 38.01 per cent (KSFC, 1994-95). 7839 SSIs received financial assistance of Rs.289.61 crores. Cumulative assistance to SSI at the end of March 1995 stood at Rs.1607.99 crores (66.26%) in 67732 cases (71.30%). At the end of March 1995, cumulative assistance to medium scale industries stood at Rs.265.48 crores in 1012 cases. Efforts in the development of local entrepreneurship resulted in extending term lending assistance to 13760 entrepreneurship (99.41%) to the extent of Rs.449.77 crores (96.31%) during 1994-95.

The analysis of terms loans sanctioned during 1994-95 by various zones indicates that Zone II and Zone III together accounted for 9924 cases (71.70%) amounting to Rs.289.47 crores (61.99%). The top 10 districts in terms of assistance sanctioned during 1994-95 accounted for 80.69% of the financial assistance, 76.30% in terms of number of units assisted. The bottom 10 districts accounted for just 19.13% of the total amount and 23.70% of the units assisted by KSFC during 1994-95.
Commercial Banks

Commercial banks are meeting the working capital requirements of industrial units. Karnataka is one of the best-banked states in the country. One of the eve of nationalization, there were 755 branches commercial banks in the State and it increased to 4347 as on June 1993 (GOK, 1993). Commercial banks provide credit at concessional rate of interest to the SSIs of backward areas (GOI, 1989). For composite loans up to Rs.25,000, commercial banks charge 10% rate of interest in the backward areas whereas it charges 12% in other areas for the terms loans. SSI has been recognized as one of the priority sector of the economy. The financing of commercial banks in Karnataka to the priority sector and within the priority sector to SSIs is quite appreciable. Commercial banks in Karnataka State advanced Rs.82.61 crores in 1975-76, which increased, to Rs.1626 crores by 1993-94 (GOK, 1993-94).

Technical Consultancy Service Organization of Karnataka [TECSOK] has been established by the Government of Karnataka in association with KSFC, KSSIDC and KSIDC in the year 1976 under the Directorate of Industries and Commerce. TECSOK helps the small scale entrepreneurs in identification of projects, in preparation of project reports, market survey reports, organizes various training programmes and provides escort and monitoring service in the implementation of projects.
District Industries Centres [DIC] are set up at the district levels to encourage and promote industrial development. It acts as the central coordinating agency for development of industries in the district. Thus the number of promotional agencies in Karnataka state are functioning to encourage industrial activities with special emphasis to backward regions. Over the years, the share of industrially backward regions in the institutional assistance is increasing. However, Bangalore district along with few industrially advanced districts are enjoying lion's share in the facilities and financial assistance provided by the State level institutions and relatively less backward among backward districts have been able to absorb more facilities and assistance than relatively more backward among them.

Incentives and Concessions to Industries in Karnataka

With a view to attract new industrial investment in the State, particularly to the less developed areas, the government has been granting several incentives and concessions from time to time.

The main objectives of the package of the incentives and concessions offered by the state are:

a) Disposal of industries to the backward areas and provide investment to industries to move away from the areas of high concentration.
b) Special incentives to entrepreneurs belonging to SC/ST entrepreneurs and handicapped people.

c) Special concessions for electronics, telecommunications, food processing and biotechnology industries.

d) A comprehensive scheme of incentives to SSIs [including tiny industries] to encourage industrialization of backward areas in the State.

Incentives and Concessions – 1988

The package of new incentives and concessions for new industries which was introduced with effect from 1/11/1982 was in force for five years and come to a close on 31st October 1987. This incentive package, however, has been continued till 31st March 1988 without the provisions for development loan and working capital loan.

Considering the past experience, technological development needs and aspirations of entrepreneurs vis-à-vis the need for dispersal of industries, the government concluded that any revision of package of incentives and concessions should have the following objectives (GOK, 1988).40

1) Dispersal of industries to the backward areas and providing inducement to industries to move away from the areas of high concentration.
2) Special incentives to entrepreneurs belonging to SC/ST, women and physically handicapped entrepreneurs.

3) Special concessions for electronics, telecommunications, food processing, biotechnology industries.

4) A comprehensive scheme of incentives to SSIs to encourage industrialization of backward areas in the State.

5) Maximum employment of 80% to the local people.

The salient features of revised package of incentives and concessions of December 1988 is given below:

1) Classification of Zones

Zone I : Consists of 13 taluks identified as industrially developed;

Zone II : Consists of 31 taluks identified as industrially developed; and

Zone III : Consists of 131 taluks identified as industrially backward.

2) Investment Subsidy

The State investment subsidy was made available for new tiny, SSI, medium and large industries coming up in the Zone II and Zone III as given below:

Zone II : 15% of the value of fixed assets subject to a maximum of Rs.15 lakhs.
Zone III: 20% of the value of fixed assets subject to a maximum of Rs.20 lakhs.

3) Sales Tax Exemption

The new scheme while discontinuing interest free development and working capital loans has made provision for sales tax exemption in the case of new units coming up in the backward areas, exemption being 5 years in the case of Zone II and 7 years in the case of Zone III. New medium and large industries were given sales tax deferment for a period of 5 years and 7 years in Zone II and Zone III, respectively, subject to a maximum as given below:

<table>
<thead>
<tr>
<th>Type of Units</th>
<th>Zone-II</th>
<th>Zone-III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiny sector units</td>
<td>100% of the value of fixed assets subject to a maximum of Rs.1 lakh</td>
<td>Sale tax exemption up to 100% of the value of fixed assets subject to a maximum of Rs.2 lakhs</td>
</tr>
<tr>
<td>Small scale Industry</td>
<td>Sale tax exemption up to 50% of the value of fixed assets subject to a maximum of Rs.30 lakhs</td>
<td>Sale tax exemption up to 10% of the value of fixed assets subject to a maximum of Rs.30 lakhs</td>
</tr>
<tr>
<td>Large and scale Industry</td>
<td>Sale tax deferment up to 50% of the value of the fixed assets subject to a maximum of Rs.35 lakhs over a period of 5 years from the date of going into production (Repayment starting from 6th year production)</td>
<td>Sale tax deferment up to 50% of the value of fixed assets subject to a maximum of Rs.50 lakhs over period of 7 years from the date of going into production (Repayment starting from 8th year production)</td>
</tr>
</tbody>
</table>

4) Special concessions to SC/ST, physically handicapped entrepreneurs

An additional 5% investment subsidy subject to a maximum of Rs.1 lakh shall be available for the new units set up by the SC/ST and disabled entrepreneurs in Zone II and Zone III.
5) Special concessions to women entrepreneurs

Tiny and small scale units set up exclusively by women entrepreneurs either individually or collectively and employing more than 51% of women in such units are eligible for additional 5% investment subsidy subject to a maximum of Rs. 1 lakh and sales tax exemption as applicable in the Zone III shall be extended for units set up in Zone II.

The new scheme also has made provision for giving priority to women entrepreneurs in the allotment of scarce raw materials, allotment of sheds/lands and preference in government purchases.

6) Exemption of stamp duty and concessional registration charges

The new scheme has made the new tiny and SSIs eligible for exemption of stamp duty and concessional registration charges in respect of loan and credit documents to be executed for availing financial assistance.

7) Special concessions for electronics, telecommunications, food processing and bio-technology industries

These industries coming up in the notified industrial areas/estates are made eligible for all concessions as applicable to Zone III.
8) Special concessions for Belgaum district

The new tiny, small, medium and large scale industries set up in Belgaum district on or after 1-4-1988 have been made eligible for the same investment subsidy as applicable in Bidar district. Further, all new units in Belgaum district were exempted from the power cut for a period of 5 years from 1-4-1988 as is applicable to Bidar.

New Package of Concessions and Incentives [1993-98]41

Under the scheme of liberalization introduced by the Central government, the State government announced its new industrial policy and new package of concessions and incentives for new industrial investment (GOK, 1993-98) in July 1993. The new policy aimed at achieving greater dispersal of industries in the backward areas. Based on the nature of industrial development, the State was divided into three zones, viz.,

- **Zone I**: Industrially developed area.
- **Zone II**: Industrially developing area.
- **Zone III**: Industrial growth centers.

Bangalore urban district consisting of Bangalore South, Bangalore North, taluks and Bangalore agglomeration belong to Zone I which were considered to be the industrially developed zones. Further, all taluks of the State were included in the Zone II which were considered as industrially developing areas. Dharwad, Hassan and Raichur were included in Zone III, which were considered as industrial
growth centers. The new package provides investment subsidy only to small scale and tiny industrial units whose investment on plant and machinery does not exceed Rs.75 lakhs.

The various incentives offered to the industries are as follows:

1) **Investment Subsidy: [1993-98]**

Investment subsidy proposed to be offered only to tiny and small-scale industrial units only including ancillary and EOU with an investment of Rs.75 lakhs in plant and machinery at the following rates (GOK, 1993-98):

<table>
<thead>
<tr>
<th>Zone</th>
<th>Particulars</th>
<th>Quantum of investment subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Developed area (Bangalore south and north taluks and Bangalore agglomeration areas as per 1991 census)</td>
<td>Nil*</td>
</tr>
<tr>
<td>II</td>
<td>Developing areas (all the remaining parts of the state excluding areas in Zone-I)</td>
<td>25% of the value of fixed assets (Ceiling Rs.25 lakhs)</td>
</tr>
<tr>
<td>III</td>
<td>Growth centres (Hassan, Raichur, Dharwad)</td>
<td>30% of the value of fixed assets (Ceiling Rs.30 lakhs)</td>
</tr>
</tbody>
</table>

*Tiny and small scale industries set up in developed areas in specified non-polluting high technology industries [viz., Electronics, Informatics, Precision Tooling/Tool Room Industries and Ready made garments, including leather garments] shall be eligible for an investment subsidy of 25 per cent of the value of fixed assets subject to a ceiling of Rs.25 lakhs.*
2) Subsidy Towards Development of Industrial Infrastructure

Industrial estates promoted in private/cooperative sector [in Zone-II and Zone-III] shall be offered an investment subsidy towards development of infrastructure at the rate of 20 per cent of such investment, not exceeding Rs.20 lakhs. This is applicable to project which costs up to Rs.5 crores each.

3) Incentives for Installation of Equipment for Utilization of Renewable Source of Energy

All industrial units [both new and old] located anywhere in the State, which install equipment for utilization of renewable source of energy, shall be eligible for an additional investment subsidy of 10 per cent on such investment, subject to a maximum of Rs.10 lakhs per unit. This concession is available for all categories of units, that is, tiny, small-scale industries, medium and large-scale units.

4) Sales Tax Concession

The suggested scale and period of sales tax concessions are indicated below.
### Sales tax Exemption/deferral

<table>
<thead>
<tr>
<th>Zone</th>
<th>Tiny and SSI No. of years</th>
<th>Medium and large scale industries No. of years</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Developed area 4 (6) 100% of the value of fixed assets</td>
<td>4 (6) 100% of the value of fixed assets</td>
</tr>
<tr>
<td>II</td>
<td>Developing areas 6 (8) 100% of the value of fixed assets</td>
<td>5 (7) 100% of the value of fixed assets</td>
</tr>
<tr>
<td>II</td>
<td>Growth centers 7 (8) 100% of the value of fixed assets</td>
<td>6 (8) 100% of the value of fixed assets</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate no. of years for sale tax deferment in lieu of sale tax exemption if opted.

5) **Special Concession for Export Oriented Industries Including 100% EOU**

a) **Investment subsidy at 5 per cent subject to a ceiling of Rs.5 lakhs, that is, available to 100% EOU**

b) **Exemption for power cuts imposed by KEB from time to time.**

c) **Exemption from payment of entry tax on raw materials and components, procured and exemption of purchase tax on raw materials, components, packaging materials, consumables, capital goods, spares, material handling and equipments produced from industrial units within the State.**
d) The relief is limited only to the materials used for achieving the export turnover.

6) Sales Tax Concession for Thrust Sector Industries

In respect of thrust sector industries to be set up in developing centers, the period of sales tax exemption or deferment as the case may be, shall be extended by one more year over and above the eligible period indicated in Sl.No.7 without, however, any increase in the ceiling limit.

Note: Units falling under thrust sector are: a) Electronics b) Telecommunications c) Informatics (software) d) Agro-food processing e) Agro-based industries f) Leather and leather products g) Ready-made garments h) Equipment for renewable non-conventional source of energy and energy conservation i) Equipment for pollution control j) 100 per cent export oriented industries and other export oriented units with 50 per cent of turnover towards exports k) Pharmaceutical industry l) Sugar industry

7) Sales Tax Concession for units making new investments under Expansion / Diversification / Modernisation

Industrial units in specified categories set up in developed areas and the units set up in developing areas including growth centers undertaking new industrial investments for expansion/diversification/modernization shall be eligible for sales tax exemption/sales tax deferment as detailed below:
<table>
<thead>
<tr>
<th>Zone</th>
<th>Area type</th>
<th>Tiny and SSI</th>
<th>Medium and large scale industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No.of years</td>
<td>No.of years</td>
</tr>
<tr>
<td>I</td>
<td>Developed area (Only the specified categories in appendix II)</td>
<td>4 (6) 60% of the value of fixed assets</td>
<td>4 (6) 60% of the value of fixed assets</td>
</tr>
<tr>
<td>II</td>
<td>Developing areas</td>
<td>6 (8) 80% of the value of fixed assets</td>
<td>5 (7) 80% of the value of fixed assets</td>
</tr>
<tr>
<td>II</td>
<td>Growth centres</td>
<td>7 (8) 80% of the value of fixed assets</td>
<td>6 (8) 80% of the value of fixed assets</td>
</tr>
</tbody>
</table>

Units specified in Appendix II are: a) Electronics b) Telecommunication c) Informatics d) Precision tools/Tool Room Industries e) Ready-made Garments

Note: Figures in brackets No. Of years for sale tax deferment in lieu of sales tax exemption if opted.


Industrial Policy Resolution [GOK, 1996] aimed at active participation of industry in the development of infrastructure, laid emphasis on the development of potential growth centers, thrust for growth in the export of value added goods, measures for conservation/ optimum utilization of scarce resources, human resources and entrepreneurship development, simplification/ streamlining of roles and regulations and transport administration.
Under the new scheme, the industrial estates promoted by the private/cooperative sector in Zone II and III shall be offered an investment subsidy towards development of infrastructure at the rate of 20% of such investment not exceeding Rs.20 lakhs.

CONCLUSION

The development of small-scale sector has emerged as a powerful movement in Karnataka since its inception in 1956. Government is offering a variety of concessions and incentives for encouraging industrial development in the backward areas of the State. Over the years, the coverage of backward areas for offering incentives and concessions has also increased resulting in thinly spread of benefits in the backward areas. Of the number of facilities and concessions, only a few incentives have been commonly availed by the entrepreneurs. Industries are in general concentrated in urban areas. Not only that, Bangalore is the main concentration point of the Karnataka industries. The pattern is almost the same as that for large-scale industries. This indicates the need for some policies, which will be helpful in the diversification of the small-scale sector to other districts of the State. The incentives and concessions offered to the industries of backward areas can work as a catalyst by providing necessary infrastructural facilities for developing the backward areas. Further, to effectively cater to the requirements of the backward areas, it is necessary to introduce graded incentive system, which will have to take into consideration the level of development achieved by a region.
Thus to overcome glaring imbalance in the development of industries between regions in Karnataka State, there is a need to develop a more rational policy frame which will ensure due share to the backward regions in the flow of facilities, concessions and incentives by the government. Therefore, attempts have to be made to diversify the infrastructure, so that industries can flourish in other districts also.

PROFILE OF THE STUDY AREA

The Bijapur district is located in the Central Sector of the northern part of Karnataka State. The district covers a geographical area of 17,069 sq. km in the dry and arid zone of the Deccan and happens to be the largest amongst the 20* districts of Karnataka. It lies between the North latitude of 15° 50' and 17° 28' and the East longitude 74° 59' and 76° 28'. Bijapur district is bounded on the North-West and the North by the district of Sangli and Solapur of Maharashtra State, while on all other sides it is bounded by the districts belonging to Karnataka State itself, i.e., on the East by Gulbarga district, on the South-East by Raichur district, on the South by the Raichur and Dharwad districts and on the West by the Belgaum district.

* This statement is no longer valid now, as the district is divided into Bagalkot district and Bijapur district since August 1997.
Area and Population

The North-South extension of Bijapur district is about 176 km and East-West 144 km. The total area of district is 17069 sq. Kms. Accounts for 8.89% to the total area of the state. According to 1991 census, the total population of Bijapur district is 29,27,990*. The district has 1262 villages. The population is unevenly distributed among 11 taluks of the district and the average population per taluk works out to 2,66,181 persons. It occupies fifth place among the districts of the State. The density of population in the district is 172 persons per sq. km being less than the State’s average of 235 persons per sq. km [1991].

Agriculture

Agriculture is the main occupation in the district. District has remained a predominantly agricultural economy, with 1712348 hectares of cultivated land. The area under forest is 83103 hectares, i.e., 4.8 per cent of the total area of the district, and 110916 hectares is wasteland, including non-agricultural (57047 hectares) and Barren (53869 hectares) land. Totally 479040 laborers are engaged in agricultural sector which accounts to 43.14 per cent of the total labour force in the district.

The important food crops of the district is Jowar, Bajra, Wheat, Bengal gram and Tur and non food crops are Sugarcane, Cotton, Groundnut and Silk. Jowar occupies 521283 hectares, Bajra 94756 hectares, Maize 56243 hectares,
Wheat 60800 hectares, Bengal gram 45641 hectares, Tur 20,286 hectares, Sugarcane 56484 hectares, Cotton 18401 hectares, Groundnut 81536 hectares and Silk 1043 hectares respectively. While the total area under food crops is 950884 hectares accounting for about 67.4% of the total cropped area and the area under non-food crops is 459666 hectares accounting for about 32.6% of the 1410550 hectares of total cropped area of the district during the year 1997-98.

Horticulture

At present, the district is not particularly noted for large-scale fruit and vegetable cultivation. The climate and soil of the district is conducive for the cultivation of fruits, like bananas, mangoes, sapota and grapes. There is enough scope for increasing the production of grapes and bananas. The grapes of the district are increasingly demanded in other parts of Karnataka and even outside.

Rainfall

The district is usually favoured by both monsoons. It gets rain from the South and North-East monsoon from June to December. The average annual rainfall is 552.8 mm, which is the lowest in the State. This speaks of irregular and erratic rainfall, both in intensity and in distribution. Due to this, cultivators are not able to harvest normal yield. Hence, Bijapur is known as a drought-prone district.

**In this Ph.D. thesis, undivided Bijapur district is studied.**
The district is traversed by five rivers - Krishna, Doni, Malaprabha, Ghataprabha and Bheema. In spite of these rivers, the district suffers from acute water scarcity and periodic famine. The total area of irrigated land in the district is 285799 hectares, which comes to just 16.69 per cent of the total cultivable land in 1997-98. The main hope of the district for more irrigation depends largely on the completion of the Upper Krishna Project at Almatti, which is expected to irrigate 10 lakhs acres. The meager rainfall and lack of irrigation facilities have made this district more susceptible to drought and famine.

Climate

The climate of the district is generally dry. The temperature varies from 16°C to 40°C. The lowest temperature period is very short.

Soil

The soil of the district is mostly rich black cotton soil and in some part it is red soil. Because of the soil, the district is rich in cotton and oilseeds production. The major food stuffs [food crops] of the district are jowar, bajra, maize and wheat. Cotton, groundnut, sugarcane and sunflower are the important commercial crops. Jowar is the predominant crop now and demanded throughout the State.
Animal Husbandry

Animal husbandry is the second largest constituent of the district's income, contributing over 11 per cent of the total income of the district. The bovine population of the district is considerably high [i.e., 18,47,000 as per 1991 Census] but its productivity is very low. The quality and quantity of milk available in the Krishna valley region has resulted in the establishment of a major dairy complex, viz., Asangi and Jamakhandi in Jamakhandi taluk.

Mineral Resources

The district is not endowed with many mineral resources. The mineral available for industrial exploitation in plentiful quantity is limestone. The deposits of high grade limestone are estimated to be 966 million metric tonnes. So, many cement factories on large scale as well as small scale are coming up. It is gathered that only a small portion of limestone deposits are being utilized by cement and sugar factories in the district. The district has abundant resource of granite stones near Ilkal, which has a market in and outside India.

Education

The literacy level of the district is the lowest in the State. The literacy percentage in Bijapur district is 55.13% as per 1991 Census. Literacy among the males constitute 69.69% and in females, it is 40.60%. There are 18 professional and technical institutions in the district.
Employment

1110288 are the total workforce of the district engaged in various economic activities. The total number of labours employed in agriculture is significant, which is 479040 accounting for 43.14 per cent of the total workforce in the district, according to 1991 census. As many as 351037 cultivators are there accounting for 31.61 per cent to the total workforce. The workforce absorbed in the various activities. Such as live stock and allied activities is 18888 (i.e. 1.70%), mining and quarrying 3467 (0.31%), manufacturing in household industries 35421 (i.e. 3.19%) manufacturing (other house hold industries) 51529 (i.e. 4.64%), in construction 17894 (i.e. 1.61%), Trade and commerce 63841 (i.e. 5.74%), Transport and Communication 18563 (i.e. 1.67%) and other services 71651 (i.e. 6.45%) respectively.

Income

Benefits of development of agriculture and industrialization has not spread evenly over all the parts of the district. The per capita income of the district is Rs.8351, which is less than half of the per capita income of other parts of Karnataka and the net income of the district is Rs.265830 lakhs at current prices in 1996-97. A large section of the population is living well below the poverty line. Mal-distribution of income with below subsistence level poverty of the masses poses a serious challenge to the government.
Infrastructural facilities

Transport

The Solapur-Gadag meter gauge railway line traverses through the Bijapur district. The total length of rail track is 208 (i.e. 0.012 per sq. km) km during the 1995-96. But several taluks like Sindagi, Hunagund, Jamakhandi, Mudhol and Bagewadi are not connected by the railway. Owing to the absence of rail link to Lokapur and Talikoti, important locations of deposits of limestone available for industrial exploitation, the district has not assumed industrial importance. The district has in all 6783 km of road length out of which 5857 (i.e. 86.34% of total length) km are surfaced roads and 926 (i.e. 13.66% of total length) km unsurfaced but motorable roads as on 1998. National Highway No.13 traverses through the district for a length of 192 km. The inadequacy of transport facilities has been hindering the proper industrial development. Industrial development in the district can be speeded up if the rail lines are extended to connect important places in the district.

Power

The dimension of power crisis in the whole of Karnataka is frightening. Normally power cut is resorted to in summer and pre-monsoon months in the district. The high-tension consumers are most severely hit by power cut which sometimes goes up to 75 per cent. Load shedding of varying duration is resorted to, to prevent a total collapse of the supply. Because of the power crisis,
entrepreneurs are reluctant to establish factories in the district. So the district has remained industrially backward.

Communication

The district of Bijapur has 744 Post Offices, which constitute about 7.7% of the total Post Offices in Karnataka. Total telephones in use during the year 1996 were 23152. It accounts 8 telephones per 1000 persons and the telephones are significant in the taluk of Bijapur, Bagalkot and Jamakhandi.

Banking facilities

There are a total of 397 branches of banks in Bijapur district it accounts 0.13 banks facility per 1000 persons. Syndicate Bank is the lead bank of the district. There are a total of 227,83 and 87 branches, respectively, of commercial banks, Grameena banks and Cooperative banks in the district. The population served by commercial bank branches is 12523, while it is 9485 by the branches of cooperative and Grameena banks.

Industries

As on 1999-2000, the number of small-scale units in Bijapur district were 5099, employing about 23656 persons and having capital investment of Rs.9819.63 lakhs. Similarly, there are 12 large and medium scale units in Bijapur district employing about 2500 workers.
An industrial estate is a means to promote small and large-scale industries within the framework of the national policy. There are two industrial estates in the district, one at Jamakhandi and the other at Bijapur. In all six sheds are existing in the industrial estates in the district and all have been allotted to the entrepreneurs.

Industrial Activity in Bijapur District

Infrastructure

Industrial development of a region is guided by various factors of which infrastructure facilities play a key role of catalytic nature in the industrial development and performance of a region. Though the district is considered backward from the point of view of industrial growth, it is forward in agriculture. For industrial development of any region, presence of infrastructural facilities in the form of good banking system, good communication network, reliable transportation facilities, availability of natural resources, supply of skilled and unskilled labour is a must. These services are in the nature of utilities and are characterized by huge initial investment with a long gestation period (Gayitri, 1997).44

1) Raw materials

Bijapur district is not rich in mineral resources. Considering the abundant natural resources inherent in the economy of this district, which have not been
properly harnessed, a spurt to greater industrial activity would have been the logical conclusion, but the tempo of industrial progress in the other contiguous districts has not much influenced Bijapur. Though the district as a whole is poor in mineral deposits, a few minerals of economic importance like asbestos, copper ore, glass sand, iron ore, manganese ore, ochre, salt and the district is endowed with very rich deposits of good quality high grade limestone in Mudhol and Bagalkot taluks.

2) Transport

For the development of any region, availability of reliable transportation is a must. Bijapur district is not well connected with road, rail and airways. Conditions regarding transport and communication in this district were far from satisfactory in the past and present too. The district has in all 6783 km of road length out of which 5857 km are surfaced roads and 926 km unsurfaced but motorable roads. The total length of rail track is 208 km. But several taluks like Sindagi, Hunagund, Jamakhandi, Bilagi, Mudhol and Bagewadi are not connected by the railway. The inadequacy of transport facilities has been hindering the proper industrial development. Industrial development in the district can be speeded up if the transport facilities are extended to connect important places in the district.

3) Banking

Finance is the lifeblood of any business. Easy access to credit facility plays a vital role in the industrial development of a region, which directly depends on the
banking network. Banking facilities in the district are considered to be satisfactory. All the taluk headquarters and commercial centers are covered by one or the other nationalized or scheduled banks. A total of 227 branches of commercial banks are operating in the district. Grameena banks and cooperative banks have opened 83 and 87 branches, respectively, in the rural areas to cover the financial needs of rural and small entrepreneurs.

4) Power

The dimension of power crisis in the whole of Karnataka is frightening. As far as Bijapur district is concerned, 152113800 kwh of electricity is consumed every year out of which 58,54,4700 kwh is consumed by industries. But the actual demand for electricity is much more than the quantum of consumption. Normally power cut is resorted to in summer and pre-summer months. The high-tension consumers are most severely hit by power cut which sometimes goes up to 75 per cent. Load shedding of varying durations is resorted to, to prevent a total collapse of the supply.

5) Education

Last, but not the least, is the presence of educational infrastructure. Supply of skilled labour and persons required for managerial and clerical posts depend on the presence of educational infrastructure. The district under study has not a sound educational base; unfortunately, the stock of idle educated manpower is on the increase.
The encouragement given by the government naturally contributed to the growth of modern small-scale industries in Bijapur district. The growth of registered SSIs in Bijapur district can be seen from Table III.2.

**Table III.2**

**Growth of SSI units in Bijapur district**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1990</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SSI units (00’s)</td>
<td>431</td>
<td>673</td>
</tr>
<tr>
<td>Employment in SSI units (in 000’s persons)</td>
<td>1882</td>
<td>3721</td>
</tr>
<tr>
<td>Total Investment (Rs. in lakhs)</td>
<td>286.98</td>
<td>2500.26</td>
</tr>
<tr>
<td>Employment per unit (in persons)</td>
<td>4.38</td>
<td>5.52</td>
</tr>
<tr>
<td>Investment per unit (Rs. in lakhs)</td>
<td>0.66</td>
<td>3.71</td>
</tr>
<tr>
<td>Capital per labour (Rs. in lakhs)</td>
<td>0.15</td>
<td>0.67</td>
</tr>
</tbody>
</table>

Source: District Industries Centre, Bijapur.

Table III.2 indicates the growth of the small-scale sector in Bijapur district during the period of 1990-2000. There were only 431 SSI units in the district at the year of 1990, which rose to 673 units by 2000. Thus during the period of 1990-2000, the number of registered SSI units increased by 8.45 per cent to 13.19 per cent respectively. Small-scale sector also performed well in terms of employment generation. Industrial development is expected to create employment opportunities.
and avenues for higher wages for skilled and unskilled labourers. Success of the industrial development depends to a large extent on the growth of employment in any region.

During the period of 1990-2000, the number of persons employed in the SSIs increased from 1882 to 3721, recording 7.98 per cent to 15.72 per cent growth. At the same time, it should be noted that the employment per unit has increased from 4.38 per cent to 5.52 per cent. Capital investment per employee has increased from 0.15 lakh in 1990 to 0.67 lakhs by 2000. Total investment in SSIs increased from Rs.246.98 lakhs to Rs.2500.26 lakhs. Thus SSIs in Bijapur district has registered steady progress of 8.45 per cent to 13.19 per cent in terms of number of units, 7.98 per cent to 15.73 in terms of employment and 2.92 per cent to 25.47 in terms of capital investment during the period between 1990-2000.

Trends in the growth of Small Scale Industrial Sector in Bijapur District

[Year-wise from 1990-91 to 1999-2000]

From Table III.3, it is clear that SSIs in Bijapur district have registered a steady growth during the period under study. The number of small-scale units increased from 431 in 1990-91 to 673 in 1999-2000, with its share in total units from 8.45 per cent to 13.19 per cent, respectively.
Table III.3

Trends in the Growth of Small Scale Industrial Sector in Bijapur District

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in 00's)</th>
<th>Investment (Rs. in lakhs)</th>
<th>Employment (in 000's persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>431 (8.45)</td>
<td>286.98 (2.92)</td>
<td>1890 (7.98)</td>
</tr>
<tr>
<td>1991-92</td>
<td>351 (6.88)</td>
<td>457.18 (4.65)</td>
<td>1839 (7.77)</td>
</tr>
<tr>
<td>1992-93</td>
<td>391 (7.66)</td>
<td>601.95 (6.13)</td>
<td>1963 (8.29)</td>
</tr>
<tr>
<td>1993-94</td>
<td>431 (8.45)</td>
<td>533.23 (5.43)</td>
<td>1864 (7.87)</td>
</tr>
<tr>
<td>1994-95</td>
<td>418 (8.19)</td>
<td>654.37 (6.66)</td>
<td>1785 (7.54)</td>
</tr>
<tr>
<td>1995-96</td>
<td>425 (8.34)</td>
<td>542.35 (5.53)</td>
<td>1762 (7.45)</td>
</tr>
<tr>
<td>1996-97</td>
<td>485 (9.50)</td>
<td>802.23 (8.17)</td>
<td>2288 (9.68)</td>
</tr>
<tr>
<td>1997-98</td>
<td>855 (16.77)</td>
<td>1424.50 (14.51)</td>
<td>3496 (14.78)</td>
</tr>
<tr>
<td>1998-99</td>
<td>640 (12.56)</td>
<td>2016.58 (20.54)</td>
<td>3048 (12.89)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>673 (13.20)</td>
<td>2500.26 (25.47)</td>
<td>3721 (15.73)</td>
</tr>
<tr>
<td>Total</td>
<td>5099 (100.00)</td>
<td>9819.63 (100.00)</td>
<td>23656 (100.00)</td>
</tr>
</tbody>
</table>

Source: District Industries Centre, Bijapur

Note: Figures in parentheses indicate percentage growth to total SSI units.

Regional Distribution of Small Scale Industries

The government has taken a number of measures to promote regional balances in the development of industries in the district. However, the spread of SSIs in the district is significantly uneven. Table III.4 gives a bird’s eye view of regional spread of small industries in the district.
### Table III. 4

**Number of SSI units, Employment and Investment in different taluks of Bijapur district as on 2000**

<table>
<thead>
<tr>
<th>SN</th>
<th>Taluks</th>
<th>No. of units (in 00’s)</th>
<th>Employment (in 000's persons)</th>
<th>Total Capital (Rs. in lakhs)</th>
<th>Employment (per unit)</th>
<th>Capital (lakhs per unit)</th>
<th>Capital/Labour Ratio (K/L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Badami</td>
<td>345 (6.76)</td>
<td>1486 (6.28)</td>
<td>492.32 (5.01)</td>
<td>4.30</td>
<td>1.42</td>
<td>0.33</td>
</tr>
<tr>
<td>2</td>
<td>Bagalkot</td>
<td>568 (11.13)</td>
<td>2264 (9.57)</td>
<td>941.55 (9.58)</td>
<td>3.98</td>
<td>1.65</td>
<td>0.41</td>
</tr>
<tr>
<td>3</td>
<td>B. Bagewadi</td>
<td>365 (7.16)</td>
<td>1458 (6.16)</td>
<td>368.63 (3.76)</td>
<td>3.99</td>
<td>1.00</td>
<td>0.25</td>
</tr>
<tr>
<td>4</td>
<td>Bijapur</td>
<td>859 (16.84)</td>
<td>5521 (23.34)</td>
<td>3135.97 (31.94)</td>
<td>6.45</td>
<td>3.65</td>
<td>0.56</td>
</tr>
<tr>
<td>5</td>
<td>Bilagi</td>
<td>260 (5.10)</td>
<td>960 (4.06)</td>
<td>226.13 (2.31)</td>
<td>3.69</td>
<td>0.86</td>
<td>0.23</td>
</tr>
<tr>
<td>6</td>
<td>Hungund</td>
<td>365 (7.16)</td>
<td>1928 (8.15)</td>
<td>1246.08 (12.69)</td>
<td>5.28</td>
<td>3.41</td>
<td>0.64</td>
</tr>
<tr>
<td>7</td>
<td>Indi</td>
<td>424 (8.32)</td>
<td>1777 (7.52)</td>
<td>505.70 (5.15)</td>
<td>4.19</td>
<td>1.19</td>
<td>0.28</td>
</tr>
<tr>
<td>8</td>
<td>Jamakhandi</td>
<td>684 (13.42)</td>
<td>2906 (12.29)</td>
<td>945.78 (9.63)</td>
<td>4.24</td>
<td>1.38</td>
<td>0.32</td>
</tr>
<tr>
<td>9</td>
<td>Muddebihal</td>
<td>386 (7.57)</td>
<td>1559 (6.60)</td>
<td>424.84 (4.32)</td>
<td>4.03</td>
<td>1.10</td>
<td>0.27</td>
</tr>
<tr>
<td>10</td>
<td>Mudhol</td>
<td>478 (9.38)</td>
<td>2608 (11.02)</td>
<td>1168.02 (11.90)</td>
<td>5.45</td>
<td>2.44</td>
<td>0.49</td>
</tr>
<tr>
<td>11</td>
<td>Sindagi</td>
<td>365 (7.16)</td>
<td>1189 (5.02)</td>
<td>364.61 (3.71)</td>
<td>3.25</td>
<td>0.99</td>
<td>0.30</td>
</tr>
</tbody>
</table>

|      | Total      | 5099 (100.00)          | 23656 (100.00)                 | 9819.63 (100.00)             | 4.63                  | 1.92                     | 0.41                      |

Source: District Industries Centre, Bijapur.

Note: Figures in parentheses indicates percentage growth to total.
In Bijapur district, Bijapur taluk alone accounts for about 16.84 per cent of the small-scale units, 23.33 per cent of the employment generated by SSIs and 31.93 per cent of the capital invested. Thus Bijapur taluk stands first in terms of the number of registered SSIs, employment and the amount of capital invested. Jamakhandi and Bagalkot taluks show a relatively better growth in terms of number of units and employment. But Hunagund and Mudhol taluks show a relatively better growth in capital investment. While Bijapur, Jamakhandi, Hunagund, Mudhol and Bagalkot taluks exhibit the features of developed region, the remaining six taluks are still in their infancy.

The concentration of industries in the developed regions of the district is not a unique one. It represents features that can be found at the macro level as well.

Facilities for Industrial Development in the Bijapur District

Bijapur district enjoys a number of institutional, infrastructural and financial facilities for the industrial development.

Incentives

Bijapur district has been declared as one of the industrially backward districts by Central Government and eligible for various concessions.

Indi, Mudhol, Badami, B.Bagewadi, Bilagi, Hunagund, Sindagi and Muddebihal taluks come under Zone II [Industrially less developed areas]. These
taluks are eligible for 10% investment subsidy from the Central Government and 5% investment subsidy from the State Government. Bijapur, Bagalkot and Jamakhandi taluks come under Zone III (areas identified by the State for industrial growth] and is eligible for investment subsidies as indicated for Zone II.

The various concessions offered in this district are:

1) Concessional finance to small entrepreneurs.

2) Composite loan scheme to meet the financial requirements of term loan and working capital for artisans in the tiny sector.

3) Seed capital assistance for new entrepreneurs.

4) Exemption from income tax up to 20% of profit earned during first 10 years.

Programme of Incentives for Industrial Development in Bijapur District

In the year 1975, a major attempt to reorient the policy of concessions and incentives to meet the requirements of regional dispersal of industries was made by the Government of Karnataka. Bijapur district, though strong in terms of household industries at that time, was considered one of the eleven industrially backward districts in Karnataka State and categorized under Group-III. As a result, prospective entrepreneurs in the district were eligible to avail various incentives and concessions offered by the Central and State governments for setting up
industries in this backward district. These concessions included liberal financial assistance, priority in the approval of the scheme, allotment of developed industrial plots on concessional terms and conditions, rebate on electricity tariff, refund of sale tax on purchase of raw materials, exemption from octroi duty. Further, in 1980, the Government of Karnataka identified 51 taluks in the State to promote modern industries by offering various incentives. Considering the effectiveness of the policy of backward taluk approach to industrial promotion compared to the backward district approach, the State government has not identified 5 taluks of Bijapur district as industrially backward taluk.

In 1982, the State government announced package of incentives and concessions to industrial units in the State and new industrial units were eligible for 15% of the value of fixed assets subject to a maximum of Rs.15 lakhs as State investment subsidy.

Revised package of incentives and concessions of December 1988 categorised Bijapur district, as industrially backward district coming under Zone III and new units were eligible for 20% of the value of fixed assets subject to a maximum of Rs.20 lakhs as State investment subsidy.

But the new package of concessions and incentives [1993-98] announced in July 1993 declared all taluks of Bijapur district as industrially developing area coming under Zone II and the new industrial investments in the district were made eligible for a State capital subsidy of 25% subject to a maximum of Rs.25 lakhs.
The new industrial investments in the district enjoy a number of incentives and concessions under the new package of concessions and incentives. It includes capital investment subsidy, encouragement to thrust sector industries, subsidy for special group of entrepreneurs, sales tax concessions and exemption from stamp duty, registration fee, conversion fee, power cut, etc.

Table III.5 indicates the rates of capital investment subsidy offered by the government over the [five] years.

Table III.5

Rates of Capital Investment Subsidy offered by the Government

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in 00's)</th>
<th>Amount (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>109</td>
<td>134.58</td>
</tr>
<tr>
<td>1996-97</td>
<td>312</td>
<td>215.36</td>
</tr>
<tr>
<td>1997-98</td>
<td>310</td>
<td>195.76</td>
</tr>
<tr>
<td>1998-99</td>
<td>335</td>
<td>276.70</td>
</tr>
<tr>
<td>1999-2000</td>
<td>325</td>
<td>248.62</td>
</tr>
</tbody>
</table>

Source: District Industries Centre, Bijapur.
A number of institutions like DIC, KSSIDC, KIADB, etc. provide various facilities for the development of industries in the district. They are discussed below.

**District Industries Centre (DIC)**

In view of SSIs' large employment potential in rural areas, the Industrial Policy of 1977 had assigned an important role to the development of village and cottage industries in these areas. To implement this Policy, the government launched the DIC programme on 1st May 1979 to provide a focal point for the promotion of small, tiny, village and cottage industries, and to offer all service and support to the decentralized industries sector, under a single roof at the pre-investment and post-investment stages.

The main thrust of the DIC programme is on the development of such industrial units to create large employment opportunities in rural and semi-urban areas. The DIC is headed by a General manager who is assisted by several functional managers each specialized in the following line: Economic information, Machinery and Equipment, Research, Extension and Training, Raw materials, Credit, Marketing, etc.

Single Window Agency [SWA] was constituted by the State government in September 1983 at the district level to bring about proper coordination among the
promotional agencies. SWA at the district level has been constituted under the chairmanship of the Chief Secretary of Zilla Parishad. The General Manager of DIC functions as the Vice-Chairman and Convenor of the agency. Deputy Commissioner of the district, representatives of KEB, KSFC, KIADB, KSSIDC, Lead Bank, etc. are the members of SWA.

**Karnataka State Small Industries Development Corporation [KSSIDC]**

The KSSIDC is involved in the construction and allotment of industrial sheds besides supplying raw materials. It also provides marketing assistance through its sister concern KSIMC.

With a view to encourage and assist rapid and coordinated development of SSIs a scheme of establishing industrial estates was taken up in the country during the II* Five Year Plan at a cost of ten crores of rupees with a target of 120 estates for the whole country. Additional investments were made under the scheme in the successive plans. The estates provide land, rental space, power, water, drainage, roads, godowns, and postal and banking facilities. The government of Karnataka in pursuance of Central government policy of establishing estates also decided to establish estates and set up KSSIDC. Table III.6 gives details of raw materials provided by KSSIDC in the district.
### Year-wise Distribution of Raw materials for SSIs of Bijapur District by KSSIDC

<table>
<thead>
<tr>
<th>Year</th>
<th>Raw material (Metric tonnes)</th>
<th>Amount (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>330.212</td>
<td>85.13</td>
</tr>
<tr>
<td>1993-94</td>
<td>280.162</td>
<td>73.42</td>
</tr>
<tr>
<td>1994-95</td>
<td>240.239</td>
<td>66.29</td>
</tr>
<tr>
<td>1995-96</td>
<td>180.380</td>
<td>46.32</td>
</tr>
<tr>
<td>1996-97</td>
<td>220.568</td>
<td>62.39</td>
</tr>
<tr>
<td>1997-98</td>
<td>150.597</td>
<td>42.31</td>
</tr>
<tr>
<td>1998-99</td>
<td>516.000</td>
<td>115.13</td>
</tr>
<tr>
<td>1999-2000</td>
<td>195.279</td>
<td>51.96</td>
</tr>
<tr>
<td>Total</td>
<td>2538.672</td>
<td>653.08</td>
</tr>
</tbody>
</table>

Source: KSSIDC, Bijapur.

Table III.6 reveals that SSIs in the district have received 2538.672 metric tonnes or Rs.653.08 lakhs worth of raw materials during 1991 and 2000. During the same period the number of registered SSI units has increased from 8.45 per cent to 13.19 per cent, a considerable growth.
KIADB is developing and allotting industrial land to the prospective entrepreneurs in the district wherever industrial sheds are not constructed. KIADB acquires land and gives to the entrepreneurs at a subsidized rate with the facility of pay back the value of the land in installments over a period of time. In these plots, the entrepreneurs need to construct sheds according to their requirements. To construct sheds, long-term finance would also be provided by the State agencies. In Bijapur district, KIADB has already acquired 945 acres of land and allotted 523.26 acres to 612 entrepreneurs.

Financial Assistance of KSFC in Bijapur District

Karnataka State Finance Corporation [KSFC] is the leading financial institution supplying industrial finance in the district. As on March 1991, KSFC has disbursed Rs.92.32 lakhs to 38 units. By March 1995, KSFC has financed to the tune of Rs.10,816.63 lakhs to 4356 units.

Conclusion

At the outset, the performance of industrial activity in Bijapur district in terms of number of units, capital invested and employment generation seem to be very positive from 1993. But a clear analysis of the data gives a picture, which is different from the appearance. Though the employment generated by the SSI sector in the few taluks is better when compared to other taluks of the district.
Even the composition of industries is highly imbalanced and the intra-district spread of small-scale industries is highly uneven. The backward taluks are not only backward in terms of number of units but also backward in terms of pattern of industrialization. Added to the problem of glaring intra-district imbalance, there is uneven distribution of infrastructural facilities, and flow of financial assistance. Though there seems to be at work forces tending to lessen the degree of intra-district imbalances in industrial activity in Bijapur district, yet imbalances, which remain, are large and significant enough to continue to cause anxiety. Region-wise a more balanced industrial development is the need of the hour.
REFERENCES


14 Ibid, p.249.


18 Ibid, p. 268.


20 Draft Fifth Five Year Plan, Government of Mysore, p. 30.

21 Fourth Five Year Plan, Government of Mysore, Table III, p. 7.

22 Draft Fifth Five Year Plan, Government of Mysore, p. 40.

23 Fourth Five Year Plan, Government of Mysore, Table III, p. 260.


25 Fourth Five Year Plan, Government of Mysore, p. 3.

26 Draft Fifth Five Year Plan, Government of Mysore, p. 59.


29 Karnataka Draft Sixth Five Year Plan, Government of Karnataka, p. 323.

30 Ibid; p. 365.

31 Directorate of Industries and Commerce, Government of Karnataka, Bangalore.


42 Ibid.
