Chapter - VI

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

The Sixth and the last chapter of the thesis includes a summary of major findings, conclusions and suggestions.

Findings and Conclusions

1.1 Major advantages of SSIs in a labour abundant and developing economy like India are (i) high labour capital ratio, (ii) shorter gestation period and need smaller market (iii) involve lower investments, (iv) lead to equitable distribution of income, (v) stimulate entrepreneurship and (vi) promote employment and regional growth.

1.2 SSI definition in India is based on capital investment unlike in other advanced countries where labour employment is considered for defining an SSI. Countries which go by this criterion in identifying small industrial units include China, Japan, Germany, Indonesia, Iran, Turkey, U.S.A., U.K., Sweden and Italy.

1.3 In India wide spectrum of industries comprising about 7500 quality products are included in small industrial sector. The products involve very simple to highly sophisticated technology and offering opportunities for the utilization of local resources and skills. Products range include some high valued products like electronic type writers, survey equipments, security and fire alarm systems, television sets in addition to handicrafts and
other traditional products. Products of SSI units are used as original equipments in terms by manufacturers in large industries SSIIs have the flexibility of responding in varied needs of the economy.

1.4 SSI sector in LDCs usually employ 80% of the entire industrial work force of the country. However most of the value added varying from around 40 to 70% routinely originated from only few industries, usually food, beverages, jewellery and gems, leather and leather products, jute and jute products, textile, furniture, wood products and handicrafts indicating the narrow base of the SSIs in the economy.

In India SSIs account for 90% of the country’s industrial units, 40% of the industrial output, 80% of employment in the industrial sector, 40% of exports and 7% of net domestic products.

1.5 The Third All India Census (2004) of Small Scale Industries has revealed some authentic information. The size of the SSI enterprise is 10.52 million units of which 4.45 million are defined as SSIs under the official definition. The total employment contribution of the sector is 24.93 million with a per unit contribution of 2.37. export contribution of the sector is Rs. 14199 crores and the number of exporting units is 50606. Out of 878 items reserved for the sector only 672 are usually produced by the SSIs. The census shows a decline in small manufacturing units during the intersensal period in favour of
service enterprises. The figures relating to per unit as an indicator of enhanced capital in this sector but a desegregation of units according to utilization of key inputs such as bank credits and energy indicated a distantly poor picture of growth performance of the sector.

1.6 There are some areas of concern for the SSIs industry association have become less articulate. Government and development finance institutions have slowed down their proactive approach to SSIs.

Precisely SSIs suffer from low capital base, difficulties in accessing technology, credit constraints, low access to business services, poor quality of human resources, low lobbying capacity, etc.

Major exogenous forces influencing the performance of SSIs relate to (i) advancement in generic technology of computers and telecommunications, rise in e-commerce, globalization and liberalization policies, multilateral trading rules under WTO agreements, bilateral / regional agreements, mergers and acquisitions, labour and environmental standards / lobbies, sourcing out of activities to outside firms and growth in world demand for a variety of services.

1.7 The SSI sector appears to be hurtling down the path of sickness. The latest census reveals that as of March 2001 out of 23.6 lakhs registered SSI units 8.7 lakh or close to 40% have closed down permanently and another 15% have gone sick. Job
losses varied from 1 crore to 1.95 crore. Leaders of SSI movement have mentioned two reasons responsible for this i.e., lack of demand and lack of finance. Lack of demand has occurred mainly because of imports and dereservation.

1.8 Reviews of writings on SSIs have revealed some problem areas and suggestions to overcome the problems in the post-liberalization era. Some of the suggestions include encouraging foreign investment to infuse additional resources and technology, simplification of industrial legislation, rehabilitation of sick units, technology upgradation, improved marketing management, proper fiscal environment, removal of credit constraints, etc. It is rightly suggested that for the Indian SSIs the new millennium will be structurally different from the earlier decades in terms of geo-politico-economic environment within which they have to operate. Some writers have considered that compliance with the WTO articles has been a threat to SSI sector. Relating to partnership based on ancillarisation and subcontracting an expert has advocated for buyer-seller meet and vendor-development programs for providing measure of support to partnership. Another suggestion of a writer on SSI related to the present policies of SSIs which have been supply driven and paternalistic in nature leading to dependency. The need according to him is to find out possible ways of improvability of SSI units in the changing context. There is need for liberating modern SSI sector from the government. One
author has believed that there is no case for subsidies tax concessions and exemptions from labour legislation.

1.9 Enactment of law for limited liability partnership has been advocated by an author as such legislation has been successful in countries like USA, etc. Such a provision meets the investment needs of the SSIs. Such a system combines the advantages of traditional corporate (viz. company) structure and entrepreneur-centric proprietary / partnership structure. Another writer has pleaded for SMEs to obtain a rating especially a third party assessment of their credit-worthiness and their operational parameters. Such a practice is needed in view of the liquidity pressure mounting on banks who are becoming choosier than before while extending credit to small and medium enterprises. The work of SME Rating Agency of India (SMERA) has been commendable in this context.

2.1 SSI sector is gearing up to meet the emerging challenges in the global economy through constant innovation. The unique role of SSIs is attributed to their employment potential, comparatively higher labour capital ratio, lower investment and favourable impact of equitable distribution of national income and utilization of local resources and diffused pattern of ownership. SSIs have the potential to develop entrepreneurial and managerial skills to boost capital formation SSIs have cost effective substitutability with and complementarity characteristics to large units.
2.2 Small and medium enterprises (SMES) account for half to two thirds of business all over world “contrary to popular impression a study made by the US Department of Commerce had identified that the bulk of inventions that revolutionized human life in the 20\textsuperscript{th} century have come not from the large corporations but from independent small firms”.

2.3 In Japan 81.4\% of the work force 56.1\% of total value added in manufacturing and 79.9\% of retail sales was accounted for by SSI. Through a complex system of subcontracting, Japan combines the advantages of small production and large volume of marketing.

Over 50\% of labour force work for small industry in Canada, in Italy the health of the economy is maintained by medium sized privately owned firms and those below down to cottage industries where individual initiative and motivation have full play. China has small industry sector which provided 60 percent of its fertilizers 57\% of cement, 28\% of pig iron, 13\% of crude steel, 67\% of agricultural machinery and 37\% of its electric power.

2.4 Scale of capital investment is the criterion in defining SSI units in India. In other countries like China, Japan, Germany, Indonesia, Iran, Turkey, etc. number of employees is the criterion for identifying small scale units.

In USA small business is one which has employment of less than 500 people. In UK it is less than 20 skilled workers; In
Germany less than 300 workers; in Sweden and Italy less than 50 and 500 people respectively. In Japan and South Korea both investment and employment are taken into consideration while defining an SSI unit.

2.5 In India the evolution of the definition of SSI units dates back to 1948 Industrial Policy Resolution followed by SSI Board in 1955 (investment of Rs. 5 lakh in fixed assets) 1957 and 1960, 1996 (Rs. 7.5 lakhs), 1974 (Rs. 10 lakhs), 1980 (Rs. 290 lakhs), 1985 (Rs. 35 lakhs), 1991 (Rs. 75 lakhs) and 1999 the investment unit in SSI units was raised to Rs. 1 crore.

The definition of SSI in India is rather ambiguous. There is need for redefining industries on the basis of capital net assets, employment, turnover and type of activities considered as an integrated criteria. There is need for a clear, wider and more comprehensive definition of the term small scale industries. The definition should be based on labour intensity rather than capital intensity.

2.6 The new policy for SSIs in India was announced in 1991. In pursuance of the objectives of the new Industrial Policy 1991 the Government of India has decided to take series to initiatives in respect of policies related to the SSI units viz.

i) Financial Support

ii) Infrastructural Facilities

iii) Marketing and Export

iv) Modernization
v) Promotion of Entrepreneurship
vi) Simplification of Rules and Procedures
vii) Tapping Resources.

The new policy on SSI sector is silent on price preference to small scale and tiny industries by Central and State Government and public sector enterprises. The policy is also silent on vital components of management and entrepreneurial development on the one hand and integration of tiny and village industries with other industries. Provision for unrestricted holding of upto 24% equity participation the SSI sector by other industrial undertakings is likely to result in domination of SSI sector by large units. It is not desirable to allow foreign and domestic large units in SSI sector.

2.7 The Abid Hussain Committee on SSI in 1997 suggested for (i) development of clusters of SSI and promote joint ventures between SSI clusters and business associations, (ii) providing of technology support to SSI to overcome technological obsolescence, (iii) infrastructural development and (iv) information dissemination, common facility centres and setting up of companies to market products of SSI units.

The successive Five Year Plans have emphasized the significance of SSI sector in the economic development of the country and funds were allocated for the SSI sector in each plan.
2.8 a) An institutional superstructure has been developed during the last few decades for the promotion and development of SSI sector in India. A broad classification of institutions for promoting and developing SSI sector include (i) Advisory bodies, (ii) Government institutions and (iii) Corporate institutions.

b) Institutions providing assistance to SSIs in different areas are classified as under:

i) Finance: Banks like commercial banks, RRBs and Cooperative banks, others include SECs, SIDCs, NABARD and NSIC.

ii) Technical Trainings: SIDO, SISIs, TCOs, PPDCs, DICs, RTCs, CFTIs and Tool Rooms.

iii) Technology Upgradation: NSIC, SIDO, SISI, RTCs, PPDCs, TBSE.

iv) Marketing: SIDO, NSIC, SSIDCs, SISIs, EPCs, SECs.

v) Industrial Inputs: NSICs, SSIDC, DICs.

vi) Industrial Infrastructure: SSIDC, SIDC, HUDCO.

vii) Entrepreneurship Development: SIDO, Specialized Institutions, EDII, NIESBUD, EDIs, SISIs.

Small Industries Development Organization (SIDO) is the nodal agency that advises the Ministry of Industry (and other Ministries) in the formulation of policies and programmes for the development of SSIs. It maintains close liaison with the relevant Central Ministries, the Planning Commission, State
Government Financial Institutions and Other Organizations involved in promoting SSIs.

2.9 The policies for the development of SSIs are implemented by the Commissioner / Directorate of Industries at the state level. Each state evolved its own policy and package of incentives under the guidelines of the Central Government. At the state level institutions like DICs, SECs, SSIDCs, etc. assist the SSIs in different areas for their development. Industry Associations, NGOs, Banks, etc. also help the growth of SSIs.

2.10 Industrial Estate programme in India is the biggest undertaken in any developing country. The programme was started in 1952 when the first Estate was established in Hadapsar in Maharashtra. The programme provides various assistance to SSIs in the area of infrastructure like factor building, servicing, promoting subcontracting, common service facilities, etc.

   Government of India has launched Growth Centres Scheme for SSIs and Export Promotion Industrial Park Scheme. Integrated Infrastructure Development Scheme has been launched to setup industrial estates for SSIs.

2.11 Governments at the centre and at the state level have provided fiscal incentives for the promotion of SSIs. Incentives are provided in the form of exemptions, rebates, refund or postponement of direct or indirect taxed leviable on production or profits besides special tax concessions.
These incentives are provided under various provisions of Income Tax, Excise Duties and Sales Tax. Fiscal incentives help promote investment in small scale industries and provide relief to them. Tax concessions are used to stimulate the establishment or expansion of SSI units in desirable directions. Taxation concessions not only stimulate growth of SSIs but also stimulate entrepreneurship, production and marketing of quality goods.

2.12 Small Scale Industrial Units raise working and term capital required by them from (i) commercial banks, (ii) cooperative banks, (iii) regional rural banks and (iv) state financial corporations. Banks provide mainly working capital and the SFCs provide mainly investment capital, financial assistance to SSIs is also provided by NSIC, and State Small Industries Development Corporation (SSIDC). Refinance is given by SIDBI, NABARD and IRBI.

SIDBI is an All India Principal Financial Institution set up in 1989. It serves the SSI sector by way of promotion, financing development of SSIs and by coordinating the functions of institutions engaged in similar activities.

2.13 Specific assistance programmes in the domestic marketing of SSI products have been implemented in India viz.,

- Price Preference
- Purchase Reservation
- Ancillary Development
Price preference is followed in respect of products where offers are received from both small and large units. In such cases price given to a SSI may exceed not more than 15% over that of large unit. This preference is provided only when small and large units actually compete for the same product which is not often the case.

In case of purchase reservation purchases by government from the SSI units has been stipulated under the stores purchase policy of the Government. Under the three major groups IV, V and VI items included in these should be purchased from SSI units to a tune of 100%, 75% and 50% respectively.

Ancillaryization or subcontracting is directed towards the public enterprises controlled by Central Government. Two major difficulties encountered by ancillaries in India relate to

i) Rejection of supplies of SSI units made to larger units and

ii) Inordinate delay in payment for the supplies made by ancillary units (SSIs)

2.14 There has been a phenomenal growth of SSI units in Karnataka during the last three and a half decades. A trend of fluctuations in the number of registered units, amount of investment and employment from 1970-71 to 2005-06.

Districtwise analysis indicates that Bangalore Urban leads the other districts in terms of number of registered units, amount of investment and number of employed persons in the SSI sector.
in the state. Other district where the growth of SSI units in terms of the above parameters have made strides are Belgaum, Dakshina Kannada, Gulbarga, Mysore and Bangalore Rural.

2.15 The growth of SSI units has been stupendous in the country. The All India data indicates that the number of SSI units rose steeply from 0.16 lakhs in 1950-51 to 37.95 lakhs in 2004-05. The amount of investment in the SSIs rose from Rs. 120 crore in 1950-51 to Rs. 60500 crore in 2005. Value of production increased from 615 crore in 1950-51 to Rs. 815000 crore in 2004-05. Employment rose from 7 lakhs in 1950-51 to 214.12 lakhs in 2004-05 and exports rose from Rs. 40 crore in 1950-51 to Rs. 75000 crore in 2004-05.

3.1 Sole proprietorship form of organizations dominate the 100 selected small scale industrial units in the study area constituting 55 percent talukawise distribution of these units indicate that 17 are in Mudhol, 16 in Bagalkot, 13 in Badami and 9 in Hungund taluka.

There are 26 partnership SSI units of which 13 are in Hungund taluka, 6 in Badami, 5 in Bagalkot and 2 are in Mudhol taluka. A small number of 6 SSI study units were organized as private limited companies of which 2 each were in Badami, Bagalkot and Mudhol talukas. There are 5 SSI study units which are organized as public limited companies of which 1 unit each was in Badami, Bagalkot and Hungund and 2 in Mudhol talukas. The study covered 8 SSI units organized on
cooperative basis of which 3 were in Badami, 2 each in Hungund and Mudhol and 1 SSI unit was in Bagalkot taluks.

3.2 Large majority of 82 percent of the SSI study units were urban located while only 18 percent were located in rural areas. This trend of urban orientation of the study SSI units is found similar both in district and talukawise locations.

3.3 Tiny units constituted only 7 percent of the total of the SSI units while 93 percent of the study units were small scale industrial units. This trend is found in the different talukas covered by the study where small scale industrial units dominated while tiny units were marginal and negligible.

3.4 Sexwise distribution of the SSI entrepreneurs indicate that 93 percent of the total are male entrepreneurs while only 7 percent belonged to the female sex. The ratio of male and female SSI entrepreneurs in talukas is largely identical with the district level trend of sex ratio of the entrepreneurs of the SSI study units.

3.5 Age composition of the respondent SSI entrepreneurs in the Bagalkot district covered by the study indicates that majority of 51 percent of the total were in the age group of 41-60 years followed by 41 percent in the age group of 21-40 years and 8 percent of the respondents were in the age group of 21-40 years. However majority of respondents in Badami (52%) and in Mudhol taluka (48%) were in the age group of 21-40 years while
majority of respondents in Bagalkot (72%) and Hungund (64%) taluks were in the age group of 41-60 years.

3.6 Educational status of the SSI entrepreneurs covered by the study indicates that majority of the entrepreneurs (39%) had high school level education followed those with college education (30%), technical education (21%) and those with other level of education (3%). It is significant to note that 7% of the SSI entrepreneurs covered by the study were illiterate.

    Talukawise majority of respondent SSI entrepreneurs in Bagalkot and Hungund talukas had college and technical education while in Badami and Mudhol talukas majority of them had high school education.

3.7 A small number of respondent SSI entrepreneurs 3 each belonged to SC and ST social categories while 8 respondents belonged to minority communities. A large majority of 86 respondent SSI entrepreneurs belonged to other social categories talukawise trend is similar.

3.8 Family occupation of majority of 43% of the SSI entrepreneurs covered by the study was business. A good number of 29% of them belonged to agricultural families while 12 belonged to service families and 9 SSI entrepreneurs had family background of industry. A small number of 7 entrepreneurs belonged to families of other occupations. Talukawise analysis indicates a similar trend.
3.9 Majority of male and female entrepreneurs belonged to urban areas in the study area.

Majority of male respondent entrepreneurs were in the age group of 41-60 years. However all the 6 female entrepreneurs belonged to 21-40 age groups.

Female entrepreneurs (3 each) had college and technical education while majority of male entrepreneurs had high school (39) and college education (27).

Majority of male entrepreneurs belonged to other communities while 3 each belonged to SC and ST and 8 male entrepreneurs belonged to minority communities. All the 6 female entrepreneurs belonged to other communities.

Majority of male SSI entrepreneurs (37) belonged to business families followed by 29 belonging to agriculture, 12 male entrepreneurs belonged to service families while 9 belonged to families with industrial background. All the 6 female entrepreneurs belonged to business families.

Maximum of 62 male SSI entrepreneurs were involved in business prior to their joining the SSI units while 12 and 13 male SSI entrepreneurs belonged to industry and service prior to their SSI ventures. However minimum of 7 SSI entrepreneurs were engaged in agriculture before taking up SSI entrepreneurship. The female SSI entrepreneurs (3 each) were in agriculture.
3.10 The historical background of the district shows that the areas was under different rulers like Chalukyas, Vijayanagar Kings, Nawab of Savanur, Peshwa Baji Rao, Hyder Ali, Maratha Kings and later the area came under British Rule.

3.11 Bagalkot district is carved out of the erstwhile Bijapur district and comprises of 6 talukas namely Badami, Bagalkot, Bilgi, Hungund, Jamkhandi and Mudhol. The total area of the district is 6593 sq. kms. It is bordered by Bijapur on the north, Koppal in the south, Belgaum in the west and Raichur district in the east.

3.12 The climate of the district is generally dry and hot, Summer season lasts from February to May, monsoon sets in June and lasts upto September end.

There are three major rivers in the district namely Krishna, Ghataprabha and Malaprabha the last two being the tributaries of Krishna.

The total area under irrigation in the district is 188911 hectares. Canal irrigation covers about 6700 hectares, tank irrigation 2355 hectares and well irrigation covers 37322 hectares. Irrigation from other sources covers 65304 hectares.

3.13 Cultivated area in the district was 204864 hectares in rabi season. Major crops grown in the district are Jowar, Maize, Bajra, Wheat among Cereals and among Pulses are Redgram and Bengalgram, major oil seeds crops are groundnut, sunflower and safflower, commercial crops are sugarcane and cotton.
3.14 Bagalkot district is known for high quality grapes, pomegranate, sapota, banana and betel wine. The total area under horticulture crops in the district is 33427 hectares.

3.15 The district is well served by roads and railway system. Total road length is 3828 kms. The district has different type of road vix., State and National Highways, District roads and other roads.

A total of 78 kms of railway line passes through the district.

Large numbers of vehicles (24531) including bicycles, scooters, cars, auto rickshaws and goods vehicles are providing transport services.

3.16 Bagalkot district has a good network of communication. It consists of post offices, telegraph and telephone exchanges with 13507 telephone connections.

3.17 Bagalkot district has 79 branches of commercial banks, 10 branches of urban cooperative banks, 40 RRBs, 6 land development banks and 53 cooperative bank branches.

3.18 There are 5179 small scale industrial units with a total investment of Rs. 6746.12 lakhs providing employment to 21933 persons. Of these 30.68% are food based and agro based with an investment of Rs. 1933.91 lakhs providing employment to 2771 persons. There are 612 tiny units engaged in job working, repairing and servicing.
There are 10 large and medium industrial units of which 6 are sugar industrial units, 3 cement factories, and 1 granite cutting and polishing industry.

There are 4 industrial estates in the district located at Bagalkot, Banhatti, Jamkhandi, and Mudhol. Important industries in these industrial estates are general engineering, fabrication, mosaic tiles, milk processing, tyre threading, agricultural implements, cement products, etc.

3.19 Major minerals in the district are lime stones at Mudhol, Bagalkot, and part of Badami taluka. There are world famous pink granites at Balakundi village of Hungund taluka. Iron ore are found at Horemagi of Hungund taluka.

3.20 The district has network of cooperative societies. These include agricultural credit societies, milk cooperative societies, housing cooperative societies and others.

3.21 The district has large number of primary and secondary schools, P.U. colleges, degree colleges including engineering, medical, law and education. There is P.G. centre of the Karnataka University and a proposed university for horticulture sciences is coming up in Bagalkot.

4.1 Appropriate knowledge, prior experience and technical competence are needed to make the SSI units viable. Prior preparations of the necessary plans and facilities is needed for making them viable and successful.
One must have the appropriate business temperament and imaginative faculty to generate project ideas.

Preparation of project report is a specified function involving knowledge of technical, financial and other production related aspects of the proposed venture.

4.2 Location of SSI unit should be decided on the advantages of infrastructure like power, transport and communications availability of raw material and man power, etc. Another important decision relates to choice of appropriate machinery and equipment.

4.3 Problem of choice of appropriate machinery for their units was faced by majority of respondents in Badami and Bagalkot taluka. Problem relating to location of unit and problem of raw material were faced by majority of respondents in Hungund and Mudhol talukas respectively.

None of the respondents faced the problem of obtaining licences.

4.4 Installed production capacity has been utilized to a tune of 91-100 percent according to maximum of 49 of the 100 respondent SSI entrepreneurs, 71-80 percent in case of 23 SSI entrepreneurs, 81-90% in case of 14 entrepreneurs, 51-60% in case of 8 SSI entrepreneurs and 61-70% of the production capacity was utilized according to 6 respondent SSI entrepreneurs. Talukawise analysis about the utilization of production capacity has indicated largely a similar trend.
4.5 Shortage of power has been responsible for the under utilization of production capacity according to majority of 46 respondent SSI entrepreneurs of which majority of them are from Hungund taluka.

Problem of labour causing under utilization of production capacity according to 43 SSI entrepreneurs of which again majority of them are from Hungund taluka.

Shortage of raw materials has led to underutilization of capacity in case of 26 SSI entrepreneurs of which again majority of respondents are from Hungund taluka.

Problem of capital caused underutilization of production capacity in case of 19 SSI units of which majority of respondents (6 each) are from Bagalkot and Hungund taluka. Capacity was underutilized due to old machinery according to 9 respondents and majority of them (6) belonged to Hungund taluka. Lack of marketing facilities led to underutilization of production capacity in case of 7 respondents of which majority (4) belonged to Badami taluka. Other reasons led to underutilization of capacity in case of 15 respondent SSI entrepreneurs of which majority of them (6) belonged to Bagalkot taluka.

4.6 Raw materials for the SSI study units have been obtained from outside areas according to majority of (47) respondent entrepreneurs in all the 4 talukas covered by the study. A good number of (20) respondents indicated that raw materials were
obtained from both local and outside sources. A lesser number of 15 respondent SSI entrepreneurs indicated that raw materials were obtained locally.

4.7 Production related problem of a suitable factory building was experienced by lesser number of 36 respondent SSI entrepreneurs of which 13 were from Hungund taluka, 9 from Badami, 8 from Mudhol and 6 from Bagalkot taluka. However majority of 64 respondent SSI entrepreneurs did not experience the problem of factory buildings. Of these 19 respondents belonged to Bagalkot taluka, 16 from Badami, 17 from Mudhol and 12 from Hungund taluka.

4.8 Majority of 52 respondent SSI entrepreneurs did not face problems related to plant and machinery. Talukewise 17 SSI entrepreneurs each in Badami and Bagalkot and 15 and 3 respondents in Mudhol and Hungund indicated the absence of problems related to plant and machinery. These problems were faced by a total number of 48 SSI units of which maximum of 22 SSI units were from Hungund taluka.

4.9 Problem of power supply is faced by majority of 58 respondent SSI entrepreneurs of which majority of 25 SSI entrepreneurs belonged to Hungund taluka.

Power supply was not a problem for a lesser number of 42 respondent SSI entrepreneurs of which 14 were from Badami, 15 from Bagalkot and 13 from Mudhol taluka.
4.10 The SSI study units have employed both skilled and unskilled workers for their production activities. Skilled workers are employed by all the 25 respondent SSI units in Bagalkot and Hungund talukas while majority of 22 SSI units in Mudhol and 19 SSI units in Badami talukas have employed skilled workers. Unskilled workers are employed by all the 25 respondent SSI units in Bagalkot and Mudhol taluka while 22 SSI units in Hungund taluka and 20 SSI units in Badami taluka have employed unskilled workers.

4.11 Large majority of SSI entrepreneurs employed local workers for their production related operations (68) while a small number of SSI units (10) employed outside workers and a good number of SSI entrepreneurs employed both local and outside workers (22). Employment of local workers is more pronounced among the SSI units in Badami and Bagalkot talukas. Majority of SSI units (15) in Hungund taluka employed workers from both local and outside areas.

4.12 SSI units in Hungund taluka accounted for maximum number of 633 workers of which 484 workers were employed on permanent basis, 143 workers on temporary basis and 6 workers were employed on seasonal basis. Of the 323 workers employed in respondent SSI units 75 were permanent workers, 244 temporary workers and 4 workers were employed as seasonal workers. In Bagalkot taluka 134 SSI workers in the
study units were permanent workers, 69 were temporary workers and 5 were seasonal workers. of the 193 workers in the study SSI units in Mudhol taluka 82 were employed as permanent workers, 88 temporary workers and 23 were seasonal workers.

4.13 Of the 541 employees 356 were in clerical job, 264 were in supervisory work and 192 employees were looking after managerial work. Talukawise SSI units covered by the study in Hungund taluka had maximum number of 223 clerical workers. SSI units in Badami taluka had maximum of 81 supervisory employees and SSIs in Mudhol taluka had employed maximum of 61 managerial staff.

4.14 A substantial number of 48 SSI study units faced labour problems. However majority of 52 SSI study units did not face any labour problems as indicated by respondents during the field survey. Majority respondent SSI units in Bagalkot and Mudhol faced labour problems while majority of 4 are in Badami and Hungund did not face labour problems.

4.15 Training assistance to employees of the respondent SSI units is not provided by large majority of 67 SSI study units while lesser number of 37 SSI units asserted that they provided training assistance to their employees. Talukawise majority of 15 SSI study units in Bagalkot taluka provided training facilities to their employees while majority of 22 SSI study units in Hungund taluka did not provide training facilities to employees.
4.16 Central government provided the training facilities to employees in case of 7 SSI study units while 5 SSI study units indicated that state government provided the training facilities. Majority of 21 SSI study units could get training for their employees from other sources.

5.1 Personal funds of entrepreneurs form a substantial proportion of the total assets. Most of the SSI units are not corporate entities. Hence the owners of small units run a considerable risk than those of corporate units.

5.2 Majority of SSI study units (14) have used borrowed funds in Badami taluka. Large majority of 24 SSI study units in Hungund and in Bagalkot taluka have used both owned and borrowed funds. SSI entrepreneurs in the age group of 61-80 years, those with industrial background and those belonging to SC/ST groups and female entrepreneurs have not used owned funds.

5.3 Major sources of borrowings for the SSI study units include KSFC, commercial banks, indigenous bankers, money lenders and relatives and friends. Maximum number of 55 SSI study units have borrowed from commercial banks followed by KSFC (39), indigenous bankers (13), relatives and friends (10) and money lenders (6). A few SSIs have borrowed from other sources (7). It is found from the field survey that the respondent SSI units in the study area have borrowed from more than one source.
5.4 Subsidy on the loan has been obtained at 25% according to maximum of 52 respondent SSI study units followed by 33 SSI study units who obtained loan subsidy of 20%. However a small number of 15 SSI study units did not obtain any subsidy on their loans.

5.5 Majority of 51 SSI study units have indicated that they did encounter problems increasing finances for their units. However a substantial member of 49 SSI units mentioned that they did not face any problems in raising finances for their units. Talukawise majority of 16 SSI units in Hungund faced problems in raising finances while majority of 15 SSI units in Mudhol expressed the view that they did not face any problems in raising finances for their units.

5.6 Majority of the SSI study units who obtained subsidy on their loans mentioned that they got the subsidy from state government. A smaller number of others obtained an subsidy from central government.

5.7 A lesser number of 30 SSI study units have received assistance from the government in various areas other than subsidy. However majority of 70 SSI study units indicated that they have not received assistance from the government other than subsidy. The taluka wise analysis indicates a similar trend of response.

5.8 Large majority of 86 SSI study units have mentioned in their responses that there exists the local demand for their products.
This response is indicated by all the 25 SSI study units covered by the study in Bagalkot taluka followed by 21 units each in Badami and Mudhol and 19 SSI study units in Hungund taluka. However the SSI study units indicated non-availability of local demand for their products of which 6 are in Hungund, 4 each in Badami and Mudhol talukas.

5.9 Despite the existence of local demand for the products majority of respondent SSI entrepreneurs (66) have mentioned that they do depend on outside market. A lesser number of 34 respondent SSI entrepreneurs indicated that they did not depend on outside market for their products. Talukawise data indicated that majority of 22 SSI units in Bagalkot taluka depended on outside market followed by 18 SSI entrepreneurs in Hungund taluka and 13 each in Badami and Mudhol talukas, who considered their dependence on outside market.

5.10 Competition to SSI units is mentioned by majority of 80 respondent units of which 22 were from Mudhol, 21 from Hungund, 19 from Badami and 18 from Bagalkot talukas. A small number of SSI entrepreneurs ranging from a minimum of 3 in Mudhol and a maximum of 7 in Bagalkot mentioned that they did not face competition to their products.

5.11 Existence of marketing problems has been mentioned by a substantial number of 47 SSI respondent entrepreneurs of these majority of 16 entrepreneurs belonged to Hungund taluka and 13 belonged to Bagalkot. However majority of 53 respondent SSI
entrepreneurs denied the existence of marketing problems for their products. Of these 18 SSI entrepreneurs belonged to Mudhol taluka and 14 entrepreneurs belonged to Badami taluka.

5.12 The need for government agencies to assist the SSIs has been voiced by majority of 69 respondent SSI entrepreneurs of which 20 entrepreneurs belonged to Badami taluka, 17 belonged to Mudhol, 16 entrepreneurs each belonged to Bagalkot and Hungund talukas.

Research Findings and the Hypotheses

The findings of the research study have led to the following results in relation to the hypotheses.

1) Hypothesis-1 states “shortage of power and raw materials led to under utilization of production capacity by the SSI units”. The research findings have largely vindicated the validity of first part of the hypothesis. The data collected through field survey indicate that relative majority of 46 of SSI units in 3 of the 4 talukas – Badami, Hungund and Mudhol have affirmed that shortage of power was responsible for under utilization of production capacity. However shortage of raw materials causing under utilization of production capacity has been endorsed by only 26 of the 100 respondents of the SSI units. Hence the second part of the hypothesis is vindicated only partially.

2) Hypothesis-2 states that own funds have been the major source of finance for the SSI units.
The research findings indicate that in all the four talukas the SSI units have used own funds of a much lower magnitude compared to borrowed funds or a combination of borrowed and own funds. Hence the hypothesis is not vindicated by the survey results.

3) Hypothesis-3 states that the marketing problems have not been encountered by majority of the SSI units. Research findings have partly vindicated this hypothesis. Majority of 56% of SSI units in Badami taluka and 72% of SSI study units in Mudhol taluka have indicated that they have not encountered marketing problems. However 52% of study units in Bagalkot taluka and 64% of SSI units in Hungund taluka have encountered marketing problems for their products. Hence there is a partial vindication of the hypothesis.

Suggestions

Lack of modernization of the small scale industrial units has been responsible for underutilization of production capacity and reduced competitiveness in the liberalized environment in the country. Existence of old machinery and outdated technology has led to underutilization of production capacity according to 9 of the respondent small scale industrial units. Hence there is need for a change in the approach of the individual units to install modern machinery and equipment to overcome this problem so that fuller utilization of production capacity would be possible. Further there is need for the
government to facilitate liberal import of technology and equipment for modernizing the small scale sector.

Low capacity utilization has been a cause for concern in the small scale sector since the investment in fixed assets would go waste and production would be adversely affected leading to low employment of all the material and human resources. The study has revealed that the average utilization of production capacity by the study units has been 86.81% of the total installed production capacity. Major factors attributed include power shortage in case of 46 SSI study units, shortage of raw materials in case of 26 SSI units, paucity of funds in case of 19 SSI units and the problems of marketing in case of 7 SSI units. The state and the central governments and the various institutions functioning for the promotion and development of SSI units should initiate measures to overcome the shortage of these various inputs needed for the small scale sector. Under utilization of the production capacity leads to the viability of the SSI units becoming weak and vulnerable.

The SSI study units have been facing the problem of inadequate training facilities for their employees. This affects the skill and competence level of the technical and managerial personnel. Absence of training facilities for the employees has been mentioned by 67 SSI study units while only 33 SSI units have indicated the availability of training facilities. There is need for the various state and central level institutions working for the SSI sector to provide necessary training facilities to the employees of these units.
The problem of inadequacy of capital resources is faced by a good number of SSI study units. Borrowed funds constitute the major source of capital for 33 units while own funds has been resorted to by 52 SSI units. Further in the total amount of borrowed funds has been resorted to by 52 SSI units. Further in the total amount of borrowed funds the reliance on indigenous bankers, private money lenders and on relatives and friends is indicated by some respondent SSI units.

These are the highest sources of funds and the SSI units are likely to become financially non-viable.

The hardship of obtaining credit from the banking sector has been one of the serious problems affecting the small scale sector. Many of the entrepreneurs who had been drawn into industrial activities hoping to receive financial assistance have subsequently found that working capital is not forthcoming. The internal financial resources of the SSIs held are so small that they have no surplus money in times of business strain. This along with the situation of unstable profits prevent the banks from issuing them unsecured loans. As a result many of these SSIs are still dependent on money lenders for funds who charge high interest rates.

The Government has developed a multi agency credit structure to fulfill the financial needs of the units in the SSI sector. There is need for a streamlining the credit agencies and to sensitize the bank officials about the genuine credit needs of the SSI sector. There is not only need for adequate credit but also timely credit at economic cost. The SIDBI the State Financial Corporation and commercial banks
should play a more responsive and proactive role in this direction would be increasing pressure on the small scale industries to improve efficiency and reduce costs to withstand the domestic as well as international competition. In such an environment ancillarization / subcontracting offers significant scope for cost reduction through technological improvement. A rapid and sustainable development of subcontracting system will be of utmost importance for the Indian industry in general and small industry in particular.

Considerable delay is experienced by small scale industries in getting credit sanctioned from banks, tax and duty drawbacks, temporary and permanent registration, clearances for exports, permission for expansion and diversification, power and water connections and clearance from pollution control board. These delays reduce the competitiveness of SSIs by adding costs. Thus elimination of these delays is beneficial to improving competitiveness from the cost side (M. R. Narayana, 2004). State government has a major role in reducing the burden of administrative regulations and delays for improving the business environment and competitiveness of SSIs.

Raw material problem has been mentioned by a good number of 26 SSI study units. The shortage of raw materials has been faced by industries in general and SSIs in particular die to rising tempo of industrial activity. The small size of the units and weak financial position SSIs are forced to utilize the services of middlemen to get raw materials on credit such an arrangement results in higher cost. The meager resources of SSIs induce them to use cheap and inferior
materials which naturally affect the quality of their finished products. Further irregular supply of raw materials adversely affects their production programmes.

The industries should make a proper study of the raw materials market. They should select the right material and obtain quotations so as to get it at an economic price. The Government should evolve a mechanism for demand survey of the SSIs at least so far as scarce raw materials are concerned. The governments at the centre and the states have established a number of specialized institutions to cater to the varied needs of small scale units. But these institutions lack proper coordination among themselves. Hence a proper coordination should be ensured between these agencies particularly to ensure the timely and adequate inputs like raw materials.

In a changing economic environment it is the entrepreneurs who will have to adopt the right strategies to compete successfully. The SSI entrepreneurs need to focus on;

- Specialization strategies
- Be responsive to market needs
- Seek out market niches
- Adopt superior and relevant technologies
- Develop higher skills levels and
- Cultivate an attitude which would combine a competitive spirit with a willingness to cooperate with other units in Joint collaborative arrangements.
SSI entrepreneurs should develop professionalism and vision. They should stop thinking only for the short run profits and should therefore shed the myopic attitude. Those who start several SSIs in order to avail the benefits of government concessions to SSIs do not normally graduate to large scale status. On the other hand those who from the beginning aim to become big (LSE) do succeed in doing so.

SSI units should properly assimilate marketing innovations such as web marketing, market research-based advertising, customized products, micro retail marketing, etc. which are fast spreading.

Marketing is a real challenge for many SSIs that have constraints in undertaking sustained advertisements or market promotion strategies. It is important to gradually evolve marketing strategies especially for micro/retail marketing. At the policy level it is important to provide support towards an appropriate marketing strategy for SSI product groups both conventional marketing and e-marketing.

Small scale industrial entrepreneurs should move towards cooperation and collaboration for research. SSIs do not have funds of sponsored research several SSIs with similar requirements should collaborate for joint sponsorship of research and then share the benefits at a lower cost.

SSI entrepreneurs should be vigilant on the changes in the factors that affect the product demand, raw material supplies and their prices and fluctuations in the same. They should forecast these economic parameters on a regular basis so that it would help them in
decisions regarding production planning, human resources management, marketing and strategic decisions like diversifications, etc.

Infrastructure facilities and business environment affect competitiveness of SSIs by their specific components and by different regimes. This component specific and region-specific improvement are essential for enhancing of competitiveness of SSIs.

The various weaknesses of SSIs related basically to their smallness of size could be mitigated substantially by ancillarization or partnership with large units. SSIs usually lack information, experience, contracts or even the human and financial resources to put in place a marketing model, carry out an advertising exercise or initiate changes in technological base and management practices in their units. Partnership with large units (ancillarization) shows the SSIs to change this state of affairs in many ways viz.,

i) Marketing assurance
ii) Advertising support
iii) Mentoring support
iv) Access to innovating centres
v) Adoption of best practices
vi) Capacity building
vii) Access to superior managerial skills
viii) Technology and IT support
ix) Financing and sourcing options
The above interventions would result in enhancing the competitiveness of SSIs. They are,
i) Productivity gains
ii) Savings on factor costs
iii) Flexibility
iv) Lower inventory costs
v) Project cost savings