CHAPTER -VII
MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION

Main findings of the study

Small scale industries play strategic role in restructuring and in transforming an economy with higher labour capital ratio with shorter gestation period. They stimulate growth of entrepreneurship and promote diffused pattern of ownership and location. SSIs have the spread effect on domestic market since they use more of domestic inputs and indigenous raw materials and domestic technology.

7.1 Findings based on Secondary data and review

- Indian SSIs account for 95% of country’s industrial units, 40% of industrial output, 80% of employment in industrial sector, 40% of total exports and 7% of domestic product. The 2004 census of SSIs provides some useful data. SSI sector comprises of around 10.52 million units. The sector contributed a total employment of 2.37, the Export contribution of the sector is Rs. 14199 crore and the number of exporting unit of 50606.

- Exogenous factors have severely affected the exports of SSIs from India. They relate to advancement of technology, intense competition, risks and uncertainties, technological progress, mandatory and voluntary standards through creating a whole range of opportunities in the process of those enterprises which are less handicapped and are more adaptable.

- The viability of SSIs is becoming uncertain. The sector is hurtling down the path of sickness. The census 2011 revealed that out of 23.6 lakh registered SSI units 8.7 lakh or close to 40% has closed down permanently and another 15% have gone sick. Job losses due to sickness varied from 1 crore to 1.90 crore. Lack of demand and lack of finance have largely caused the sickness in SSI sector.
Lack of demand is largely due to imports, liberalization and dereservation, SSIs cannot cope with big business, globalization and liberalization. Under the high protectionist wall the SSIs are now becoming vulnerable given the fast changing policy scenario towards liberalization and globalization.

Karnataka council for technology upgradation would be strengthened for modernization and improving quality and cut costs. Other programmers for SSI sector include entrepreneurial development (EDP),

Focused attention is given for sub sectors/area viz., Aerospace, Engineering, Automobile, Machine Tools, Steel, Cement, Pharmaceuticals, Food Processing, Apparel and Textiles, Electronics, IT and Biotechnology, etc.

The Hyderabad Karnataka region has number of business and commercial establishments. Industrial development of the region has been growing fast in the past two decades. A few large and medium, small industries have come up in and around the district head quarters.

Hyderabad Karnataka region has small proportion of small scale industries. There are 2764 SSI units and there are 21 Industrial Estates/Areas in Hyderabad Karnataka region with large number of SSI units in various areas like engineering, chemicals, agro based, food based, wood based, plastics, rubber and other units. Large number of bank branches of commercial and cooperative banks is providing services to various sections of the society and business and commercial establishments.

Industrial policy in India has undergone various changes since the first industrial policy of 1948. The industrial policy of 1956 constituted a more comprehensive policy since the introduction of development planning in India.
The basic approach of this policy remained valid despite successive changes in 1970, 1973, 1977 and 1980. The primary concern of the policy was to achieve rapid industrialization of the country. Removal of regional backwardness formed an important objective of the successive policies and a scheme of financial and fiscal incentives was introduced. A change occurred after industrial policy 1991 and thereafter.

- Karnataka state has been guided by State Industrial Policy since 1982-83. Successive industrial policies were announced in 1988, 1990, 1993, 2001 and 2006. The New Industrial Policy 2009-2014 covering a period of 5 years has been in force.

- SSI sector has some areas of concern. The sector is receiving much less policy interest and industry associations have become much less articulate. There is a serious slowdown in the proactive promotion activities of the government promotional agencies and the development of finance institutions.

### 7.2 Findings based on primary Data

- **Socio –Economic profile:**
  - The analysis of the socio-economic profile of the study units and the study area has provided a good backdrop in analyzing the data collected on the functioning and performance of SSI study units.

  - The average age of the Small entrepreneurs covered by the varied between 25.80 years to a maximum of 37.60 years. The overall average age of the entrepreneurs was 41.3% SSI entrepreneurs belong to economically active age groups 18 to 28.
Educational status of the respondent SSI entrepreneurs indicates that majority of them had education up to upper primary class (32.7%) followed by 10\textsuperscript{th} standard passed (21.3%) PUC level education (6.7%), degree holders (4.7%) and Technical/ diploma holders (5.3%). The educational status of the SSI entrepreneurs can be considered as under satisfactory.

Caste affiliations indicate high representation of OBC (46.7%) followed by SC (20.7%) and ST (15.3%) General is only 8.0% among the SSI entrepreneurs. General demography trends are largely reflected in this pattern.

Marital status of the entrepreneurs indicates that maximum numbers of them (47.3%) were married while (31.3%) were unmarried while small numbers of them were widow (8.0%). SSIs are being handled by entrepreneurs who are well settled with married life, thus ensuring continuity in the organizational management.

The study has revealed high percentage of male entrepreneurs (55.3%) in the study units. However it is encouraging to find that women entrepreneurs have greater share in the SSI units covered by the study as 44.7% of the total respondents are women the increasing participation of women is expected to lead to their economic empowerment.

Professional background of the family of the SSI entrepreneurs indicates high concentration of agricultural background of 46.7% of the respondents. A small number of SSI entrepreneurs (20.0%) belonged to non-agricultural families.

The professional distribution of population in Hyderabad Karnataka region indicates predominance of agriculture sector followed by miscellaneous workers, entrepreneurs those in trade and commerce and other services. Unemployed persons constituted the maximum number in the total working age population of the region.
- Economic aspects:
  - The predominance of ‘sole proprietary’ units in the study area is a significant finding as 56.7% of the units are organized on this basis. A lesser number of units (12.3%) are organized as partnership firms, while (21.0%) are joint family units and a very small number (3.3%) are organized as private limited companies, co-operative society is only 4.0%. The organizational structure indicates a weak capital base of the SSI units as majority of them are proprietary units with limited financial resources therefore adequate financial assistance is essential to promote their viability.

  - The plant and machinery installed by the SSI units are either purchased outright by the units or they are obtained on lease basis. Majority of SSI units (32.7%) have made purchase of plant and machinery while a lesser number of the SSI units (13.3%) had obtained plant and machinery on leases basis. The investment magnitude being moderate outright purchasing the plant and machinery has been feasible for majority of units.

  - Large majority of 276 SSI study units (92.0%) operate continuously all the year round while 24 SSI study units (8.0%) worked seasonally. All the SSI units involved in manufacturing food products, non-metallic mineral products, wood products, chemical products, transport services, basic iron and steel, wearing apparel and plastic products worked all the year round. SSI units relating to services and some units manufacturing structural metal products are seasonal.

  - Production involves use of raw materials as the main input. Raw materials by the SSI units covered by the study are obtained from their main sources – local, outside the city and outside the state. Majority of respondents (72.71%) obtained raw materials from local sources. A small number of other SSI units (20.07%) acquired their materials from outside the city, while 22 units (7.3%) obtained their raw materials from outside the state.
Even though the capacity utilisation of the SSI units is relatively on a higher side, the breakeven point is not low. This is again due to rising in prices of raw-material, labour, power, transport and etc.

The SSI units have faced various difficulties in obtaining loans. The study has revealed that maximum of 94 SSI units (31.3%) faced the problem of high interest on loan. Inadequacy of the loan amount was expressed by 236 SSI units (78.7%) and 209 SSI units (69.7%) indicated rigid procedures of banks. Other problems were expressed by 42 SSI units (14.0%).

The Hyderabad Karnataka region has number of business and commercial establishments. Industrial development of the region has been growing fast in the past two decades. A few large and medium, small industries have come up in and around the district head quarters.

Hyderabad Karnataka region has attracted large number of small scale industries. There are 2764 SSI units and there are 21 Industrial Estates/Areas in Hyderabad Karnataka region with large number of SSI units in various areas like engineering, chemicals, agro based, food based, wood based, plastics, rubber and other units. Large number of bank branches of commercial and cooperative banks is providing services to various sections of the society and business and commercial establishments.

The region has a large network of transport and communication system. It is connected to various cities in different neighbouring states by broad-gauge railway lines, national, state and district highways. A large fleet of transport vehicles is providing services in the city. A network of post offices, telegraph offices, telephone exchanges constitutes the communication system.

Hyderabad Karnataka region is provided with water supply from mainly Krishna, Tungabhadra, Bhima, river and tanks near the city. Electricity supply
from KEB through different generating sources like thermal power plant shaktinagar, hydroelectricity and solar power plants.

- **Assistance by promotional agencies**
  - KSFC is the major source of working capital for 190 SSI units (63.3%), and 60 units got from banks (20.0%) A small number of 16 SSI units (5.3%) have been borrowing from private finance companies family for their working capital needs. A very small number of 6 SSI units (2.0%) have obtained working capital from other sources. The findings of the survey leads to the conclusion that inadequate provision of working capital at concessional rates by banks leads the SSI units to borrow from high cost sources leading to increased loan liabilities. Inadequacy of working capital may cause sickness among the SSI units

  - Inadequate working capital may lead to low liquidity, low profitability, higher interest charges and undercapitalization of production capacity. Working capital needs of SSI units vary from one unit to another and from one type of unit to another type. The study has revealed that 114 SI units (38.0%) have found the available working capital as adequate. A large number of 186 SSU units (62.0%) found the working capital inadequate. It is necessary to ensure adequate working capital for the SSI units are own funds, banks, finance companies and others. 28 SSI units (9.3%) used their own funds for meeting their working capital needs.

  - The assistance of KSFC was taken by 196 SSI units in obtaining raw materials, while other 104 SSI units got help from DIC. 96 SSI units (32.0%) expressed the view that government help in obtaining raw materials was adequate while 204 SSI units (68.0%) found the government help as inadequate.

  - The results of the survey reveal that marketing is a major draw-back for the SSI units. Most of the units have problems like severe competition, pricing,
distribution, awareness etc. The role of the governmental agencies in furthering the interests of SSI units in marketing is minimum or not effective.

- 20% of Loan subsidy is given to 236 SSI units (78.7%) while the rest of the 64 SSI units (21.3%) are not given the benefit.

- There is no uniformity regarding the rate of subsidy on loan to SSIs. These needs to be looked into and the rates should be rationalized. Majority of SSI units (78.7%) received more than 20% of subsidy. The remaining 64 respondent SSI units (21.3%) are unaware of the main source of subsidy i.e. KSFC and DIC.

- It has been found in the field survey that the implementation period for the SSI units is relatively longer. The major reasons being too many formalities and procedures to be followed, delay in sanctioning and release of the loan from the financial institutions. Several clearances from the various agencies, no proper planning on the part of the entrepreneurs etc.

- Karnataka State Financial Corporation is providing better services compare to district industries centre.

7.2 Suggestions:

The following suggestions based on the findings of the research study have been offered for future improvements:

1) The financial base of the small scale industrial units covered by the study is narrow thereby limiting the unit’s financial strength. Hence the SSI units should try to form partnership and joint stock companies instead of ‘sole proprietary’
2) Many of the SSI study units have been facing shortage of raw materials and loss of production due to shortage of raw materials has been experienced by them. Hence a proper raw material inventory would be useful for uninterrupted production schedule. Modern inventory management techniques should be adopted by the SSI units.

3) Modern techniques of production should be incorporated to reduce production costs and retraining of technical and skilled workers. It will go a long way in improving labour productivity.

4) There is need for the SSIs to overcome technology lag. They should establish long term alliances with large companies through process of ancillarisation

5) Assured adequate and quality power supply should be provided to the SSI units at economic cost. Power shortage has resulted in loss of production.

6) Marketing aspects need greater priority by the SSI units. There is need for developing marketing entrepreneurship along with manufacturing entrepreneurship.

7) Improvement of labour laws and revival of sick units and designating DICs as nodal agency at the district level for implementation of self employment programmes and SHGs. The government would extend price and purchase preference for SSI units further during the policy period

8) SSI units manufacturing identical products should have a consortium approach in marketing their products. This will help in improving their bargaining power in pooling and grading the products of individual producers thereby encouraging standardization. This approach will enable the SSI units in
avoiding competition among small units undertaking market surveys, advertising, etc.

9) The responses reveals that major problem of loan finaces was the high interest and inadequate hence the government and the RBI should try to mitigate the problem through downward revision of interest rates on loans to this priority sector. Adequate working capital is essential for meeting the claims of creditors.

10) DIC should give clear product planning in the region since product is the prime element in marketing mix. Product planning consists of some sequential operations like: Product idea generation Screening of ideas Business analysis of ideas Product development Product modification and Product diversification

11) DIC and KSFC should try to build up awareness among the SSI units about the incentives and facilities and also to remove bottle necks in obtaining incentives and facilities from the government agencies and financial institutions.

12) Subsidy benefits given by the KSFC and DIC should be uniform ally extended to all the SSI units.

13) Awareness about the subsidy scheme and incentives is limited to some SSI units while others are not aware of the same. Hence there is need for enlightening the SSI units about the source and extent of incentives and subsidy for SSI sector given by the various promotional agencies.

14) While selecting the entrepreneur’s priority may be given to qualified unemployed graduates by simplifying the existing procedures, the training period should be adequate enough to create, increase the level of confidence among the youths to start and run the industry.
15) There must be a co-ordination and cordial relationship between DIC and KSFC officials and entrepreneurs

People are choosing any small scale and cottage industry without technical knowledge, its viability and profitability etc. Sometimes they succeed in getting loans from financial agencies to start a small scale or cottage industry. Loans received without knowledge of its proper and optimum utilization often leads to poor recovery by the lending agencies which also create problems in smooth functioning of these financial institutions.

Conclusion:

It is observed that existing promotional agencies have helped to promote small entrepreneurship in the study area but none of them could fulfil their entire objectives. If they co-ordinate their efforts to fulfil the said objectives, the situation will be much better than the present one. They have to face a large number of problems in connection with it. The support of the pro-active government which prefers to have an investor friendly climate in the industrial scenario will soften the problems faced by the entrepreneurs as well as industrial promotional agencies; There is wide scope for development of small industries as this region has less big industries with surplus labour this will also promote the diversification of the economy and may help to lift the region from the bootstraps of poverty and unemployment, underdevelopment.
References:

3. Thakur Shrinivas Y–Industrialisation and Economic development Bombay University, Bombay.
BIBLIOGRAPHY


Arvind I. Korba, Marketing Concept and the Small Sector, Dec 1982, ibid. XIII, No. 4

Ashokkumar singh. 1970, “Problems and prospects of small scale industries in Bibar: A critical study” PhD, Theis, Bibar University.


Balakrishna. R. Industrial Development of Mysore (Bangalore, Bangalore Press, 1940).


Bepin Behari. 1997, Rural Industrialisation in India, Vikas publishing House, New Delhi


Bhandara, Surendra, World Trade Organisation (WTO) and Developing Countries, Deep and Deep Publications, 2002


C.R. Ramesh: Sectoral Paper on Development of Roads in Karnataka; and Karnataka at a Glance (GoK) 2005.


Census of India 2011, provisional population total, Govt. of Karnataka, Directorate of Economics and Statistics, Bangalore, Karnataka at a glance 2011.


Census of India, 2011 data Directorate of Census Operation,


Committee (1955), commonly known as the Karve Committee Report. Government of India

Computed from Karnataka at a Glance, Directorate of Economic and statistic, govt. of Karnataka, Bangalore 2004-05,

D.B. Gosavi’s study on marketing problems of small scale industries throws light

Dagar, Inderjeet, Personnel Problems and its management in small scale industry, Deep and Deep Publications, 1993


Devi Rajula 1998, Industrialization Holds Key to rural development Kurukshetra.


District industry centre Gulbarga and Raichur, reports -2008 to 20012


Dr. Saxena H.M. 2002, “Behavioural Pattern of market – place participants - A regional analysis of Rajasthan” – A project report approved and financially supported by Indian Council of Social Science Research, New Delhi.


Government of India and Karnataka reports-2008 to 2012


Government of Karnataka (2005), Gazetteer Deportment, a Hand Book of Karnataka.

Govt. of India, Ministry of Rural Development, Department of Rural Development website.

Govt. of Karnataka (2000-01), Computed from Karnataka at a Glance, Directorate of Economic and statistic, Bangalore.
Govt. of Karnataka (2003-04), computed from Karnataka at a Glance, Directorate of Economic and statistic, Bangalore.

H.S. Pareck. 2004, Financing of small Scale industries in a developing Economy New Delhi: National Publications Hous

Headquarters of Office of the Commissioner for Khadhi and Village Industries is In Mumbai. The information regarding it is as follows: The head office of SIDBI Northern Regional Office

Henny Romijn, Department of Technology and Policy, Faculty of Technology Management, Eindhoven University of Technology, PO Box 513, 5600 MB Eindhoven, The Netherlands “Technology Support for Small-scale Industry in Developing Countries: A Review of Concepts and Project Practices”, ISSN 1360-0818 print/ISSN 1469-9966 online/01/010057-20 Ô 2001 International Development Centre, Oxford DOI: 10.1080/13600810120016209


http://indiabudget.nic.in


Inderjit Sing and N.S. Gupta 2005, Financing of small industry New Delhi: S. Chend and Co. Ltd.


Interim report of the study group on Development of small Enterprises small industries Development organization, New Delhi


Joshi, N.C., Small scale Industry in India, Suneja Book Centre, New Delhi, 1992.

K.N. Sapru, Marketing Problems of Small Industries, ibid;


Karnataka, Food and Civil Supplies & Consumer Affairs2012(www.ahaara.kar.nic.in)


M.K. Ingle suggests that help from outside should be only Supplementary. The real


Nanjannavar, S.S., (1999), Karnataka Geography, Diksuchi prakashana, Bangalore.


Nisae Ahmad, 1970, "Problems and management of small scale and cottage Industries" New Delhi Deep and Deep publication


Enterprises Development in Nigeria”, Centre for Promoting Ideas, USA, American International Journal of Contemporary Research Vol. 2 No. 4; April 2012 www.aijrcnet.com


R.P. Singarvalu makes a critical study of the role of State in the marketing of


Rajiv Gandhi Rural Housing Corporation Limited-2010-11.DISE, 2010-11.


Reserve Bank of India 2005, Report of the proceeding of the seminar on financing of small scale industries in India.


Sandesara. J.C. Small Industries in Big City (Bombay, University of Bombay, 1969).


SIDBI’s Annual Reports on Small Scale Industries.


Small Industries Extension training (SIET) 1972, A study of National small Industries Corporation in Hire – purchase scheme, Hyderabad, SIET Institute
Srinivasan. R. 1997, "A study of marketing orientation to the success of small scale industries”, conducted by Administrative Staff College of India, sponsored by Indian Council of Social Science Research, New Delhi.

Stanley, E. and Morse, R. (1965), Modern Small-Scale Industry for Developing Countries. McGraw-Hill


Suresh Chandran Jain. 2003, Institutional Financial for small Scale industries in Utter Pradesh” Unpublished Ph.D thesis Agra University


Thakur Shrinivas Y–Industrialization and Economic development Bombay University, Bombay

The Office of SISI in Delhi

The Office of the Development Commissioner (Small Scale Industries) functioning within the Ministry of Small Scale Industries is located at the following address: Development Commissioner (Small Scale Industries), A-Wing, 7thFloor, Nirman Bhavan, New Delhi 110011

The Office of the National Small Industries Corporation Ltd (NSIC) The National Small Industries Corporation Ltd. NSIC Bhavan, Okhla Industrial Estate, New Delhi 110020


URL: www.laghu-udyog.com


