

The Performance Evaluation of Industries Medium & Small Scale– A Case-Study of Davanagere District of Karnataka Region

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Abstract: An attempt has been made to make a review of the studies carried on by the experts on Industrial areas and other allied issues. It may be noted that interest in the study of Industrial areas only after post-independence and post liberalization period. Many scholars have shown great interest in studying the various aspects of Industrial areas around the world and in India. It is in the continuation of these works, a review of available literature on factors affecting the Small and Medium Scale Industries in Industrial areas, to promotion of the small Enterprises, performance and problems of Small and Medium Scale Industries and other aspects of Industrial areas has been made and presented.

INTRODUCTION

Bharatha Rathna Sir M.Visveswaraya¹, a visionary remarked -Industrialist or perish, which implies industries play an important role in the economic development of any nation. Without industries, economic development is impossible. Again in a developing economy like India, industries are indispensable.

Development of industries are not only indispensable for India, but also there is good scope for the development of industries. India has many favorable and conducive factors for rapid development of industries.

¹ Raman.B.S. *Business Studies Vol II*, United Publishers, Manglore 1998, p.4.

Rapid industrialization will contribute to the growth of large number of Small and Medium Scale Industries sector in the country. The development of small and medium scale industries sector contributes to the expansion of existing employment, output and export and fostering entrepreneurship, so as to fulfill the socio economic objectives of the nation for balancing the regional development especially in rural, semi urban and backward area.

Statement of the Problem

A balanced regional development through locational dispersal of industries has been one of the principal objectives of the successive five year plans. One of the vital objectives behind fostering Small and Medium Scale Industries development in our country is to initiate regional industrial balance by countermanding or neutralizing as far as possible polarization of Industrial activities within developed regions. Encouraging Small and Medium Scale Industries development in backward areas ensures maximum utilization of local resources both human and material and in consequence helps to bridge inter-regional gaps.

Small and Medium Scale Industries and Industrial Policies

The objectives of establishing SMSI are reflected in the following statement given by the former Prime Minister of India, Late Smt. India Gandhi², dynamic personality.

“Our sole consideration has been to accelerate development and thus make a significant impact on the problems of poverty and unemployment and to bring about progressive reduction of disparities between the rich and poor section of our people and between the relatively advanced and backward areas of our country”.

² *The bankers*, July 1969, p. 366 Cited M.A.Hasanth., *Ibid.*, P. 125.

Industrial areas provide organizational set-up in which Small and Medium Scale Industries flourish and develop. This technique is useful not only for achieving rapid industrialisation but also for achieving industrial decentralization. It may be noted the Industrial areas play an important role in achieving rapid regional industrial development and thereby accelerate the economic and social progress particularly in developing countries like India.

Review of Literature

An attempt has been made have to make a review of the studies carried on by the experts on Industrial areas and other allied issues. It may be noted that interest in the study of Industrial areas only after post-independence and post liberalization period. Many scholars have shown great interest in studying the various aspects of Industrial areas around the world and in India. It is in the continuation of these works, a review of available literature on factors affecting the Small and Medium Scale Industries in Industrial areas, to promotion of the small Enterprises, performance and problems of Small and Medium Scale Industries and other aspects of Industrial areas has been made and presented.

Somashekar³ in a study of 9 SMSI covering a sample of 107 units into the assessment of economic viability and accomplishment or otherwise of the objectives of the establishment of Industrial areas in nine SMSIs of Karnataka found that on all accounts Industrial areas were not a great success. He has compared the efficiency of industrial units located in the SMSIs with those located outside the SMSIs. He found that they had not achieved many of the objectives for which they were established and that the programme proved costly in terms of capital for generating output and employment. The study also found that the SMSIs proved to be more capital intensive

³ Somashekar.N. *The efficacy of Industrial Areas in India*, Vikas publishing house pvt. Ltd. Delhi 1975 p.3.

and the productivity of labour has declined. The cost benefit ratios indicated that the programme was not found to be worth while.

A study into the role of SSI in attracting the industries from outside the SMSIs was conducted by **P.C.Alexander**⁴ in 1963. The study revealed that the Industrial areas and scheme launched by the government has been able to achieve great success in achieving its main objective of attracting industries from outside.

Kalyani Bondopadhyaya⁵ has conducted a study in 5 selected Industrial areas of West Bengal to look in their returns of investments. He had compared the performance of the industrial units located inside the SMSIs with those which are outside the SMSIs. The study revealed that the return earned by the small industrial units located outside the SMSIs has been higher than that of the industrial units located within the Industrial areas.

Bhati⁶ examined the progress and performance of 13 Industrial areas in Rajasthan. He probed into the degree of success of Industrial areas in promoting entrepreneurship in various locations and compared the efficiency of the units located within the SMSIs with those located outside the SMSIs and units in rural SMSIs with those in urban SMSIs. The performance of the units located within the SMSIs and the outside the SMSIs of each district is compared with the performance of the units at the state level. His findings is almost similar to that of the findings of Kalyani bandopadhyaya study in West Bengal. He found that the progress in the implementation of Industrial areas programme in Rajasthan was slow and also the Industrial areas in urban areas showed higher capacity utilization than those in rural areas. The urban

⁴ Alexander P.C. *Industrial Areas in India*, Asis Publishing House, New Delhi 1963 p.64.

⁵ Kalyani Bondopadhyaya, *Industrialisation through Industrial Areas*, Calcutta, 1696. cited D. Nagaiah, *effective of Industrial Areas A locational comparision, theses, University of Rajasthan Jaipur, 1984.p.3.*

⁶ Bhati G.S., *Industrial Estes, An evaluation – A case study of the programme in Rajasthan thesis, Year 1976.9.15*

SMSIs showed better performance in profitability, utilization of factory sheds and working capacity than the rural SMSIs. Again, in respect of economic efficiency and viability of units, the urban SMSIs appeared more successful than rural SMSIs.

Pathak⁷ studied 12 industrial units during 1969-70 to 1970-71 with a view to evaluate the performance and problems of Small and Medium Scale Industries. The units were selected from Industrial areas enjoying identical facilities and engaged in different lines of manufacturing. He studied the problems of SMSI at three different stages namely inception, operation and expansion. The study observed that factors like contacts, education and finance play an important role and the problems at the stage of inception received relatively more attention than the problems of the remaining two stages.

The Industrial areas proved beneficial for the industrialization of the region by developing new product lines and latent entrepreneurship and through generation of employment for local population. The study highlighted the urban bias in the implementation of the programme.

Rama Subba Rao⁸ examined the effectiveness of the Industrial areas programme in 18 SMSIs of Andhra Pradesh. He analyzed the allotment and utilization of factory sheds and developed plot in urban, semi-urban and rural SMSIs, adequacy of entrepreneurial response and examined the entrepreneurial and managerial abilities and also explored the need to give priority to certain type of Industrial Policies. He had chosen the samples by selecting a few from those who are industrialists earlier and those who become industrialists for the first time. The characteristics of these two type of entrepreneurs exhibited more aggressiveness and managerial ability towards industrial

⁷ Pathak.H.H. *The entrepreneurs, technician and manager in Small scale units, economic and political weekly, Review of Management vol .7.p.48*

⁸ Nagaiah.D.Ibid., p.16.

entrepreneurship. They came from distant locations, started units with higher capital intensity and higher capital investment, expanded their units, utilized plant capacity to a great extent and catered to distant and wider markets. Educational background and emergence of entrepreneurial class were found to be positively correlated. The study suggested that in rural areas, conventional SMSIs should be established with work sheds of the type needed by artisans and tiny sector units and pleaded that greater attention should be devoted to locational aspects and development of necessary infrastructure before establishing an SMSI. The study advocated that priority should be given in the future programme of allotment of plots/sheds to entrepreneurs below the years with trading background.

Subbi Reddy critically examined the effectiveness of the Industrial areas programme in 12 SMSIs by concentrating on the four important aspects of the implementation of the programme, viz, location of the Industrial Policies, planning of the SMSIs, organization and the management of the SMSIs. He found that the delays in implementation and low utilization of factory shed in semi urban and rural locations when compared to urban areas has negatively contributed for the industrialization of backward areas. He stressed the need for providing infrastructural facilities and creation of industrial climate for ensuring the success of Industrial Policies, more particularly in rural and semi-urban SMSIs. He also advocated careful planning of location and site for an SMSIs based on techno economic consideration and nurturing through development oriented organization and management of SMSIs.

Bharathi conducted a study in Madhy Pradesh to analyses the implementation of the Industrial areas programme in the state. She pinpointed various short falls in the implementation of the Industrial Policy programme and stressed the need for giving due recognition in planning and implementation of the programme.

From the review of literature, reported above it appears that the impact of Industrial areas on the emergence of entrepreneurs and in the development of entrepreneurship have received the attention of the researchers. Some studies have focused on the growth and performance of the units functioning in Industrial areas. Some of them have studied the role of government in the development of Industrial areas for facilitating the entrepreneurship. The myriad problems faced by the entrepreneurs and the policy lacunae of the government regarding entrepreneurship have also attracted the attention of researchers. The comparative studies of the performance of the units located within the SMSIs have probed by many. Some researchers underlined the need for providing timely finance, uninterrupted power supply, provision of infrastructural facilities, encouragement of rural Industrial areas so as to avoid the rural unemployment problem and timely supply of raw-materials.

However, not comprehensive study on challenges strategies for developing and functioning of SMSI in the performance and also the evaluation of small entrepreneurs functioning in the Industrial areas is documented so far. Once the planning exercise was taken in the post independent India through the entrepreneurship development institutions to promote and attract entrepreneurs in clustered area with identical facilities, a systematic investigation into the role of SMSI in encouraging entrepreneurship and the performance and evaluation of the units in these SMSIs, need to be taken up. The present study is attempt to fill this gap.

Need for the Study

A profound test into the accessible writing identifying with Small and Medium Scale Industries in Industrial zones implies the scientist that, practically every one of the examinations concentrated on various elements of SSI's in Industrial zones of a specific district. Be that as it may, despite the fact that many research thinks about have been done in Davanagere (Dt) Karnataka State, no such small scale consider has been finished by any analyst so for improvement of SSI's particularly in the Industrial territories of SMSI and recorded it. Consequently, the present investigation. The examination intends to assess the execution of SSI units situated in Industrial zones of SMSI and follow out the issues, the little units are confronting and to give valuable recommendations remembering the whole array of procedure and proportions of industrialization through proceeded with endeavors of Government to sustain and nurture little enterprises.

Objectives of the Study

The establishment of Industrial areas has been one of the institutional devices adopted for promoting, SMSI and sustaining SSI's in several countries like U.S.A., U.K., Turkey, Kenya, Malaysia, Canada, France and India. These Industrial areas are considered as important and extensively useful technique for the programme of rapid industrialization in any economy. The Industrial areas support to provide the healthy industrial environment, climate and encouragement to small entrepreneurs and take care about number of problems of sites, plots, building, power, infrastructure facilities and incentives and concessions for SSI's and it is also necessary to make an evaluation of the role of Industrial areas in promoting entrepreneurship.

Little industry comprises a major fragment of India's mechanical texture. It is the greatest division giving business chances to the Indians beside agribusiness. Be that as it may, the SSI units are the most exceedingly terrible sufferers after the advancement

of Indian economy opposite with the passage of mammoth global organizations and the present monetary condition has likewise influenced SSI area and it is additionally important to assess the execution of undertakings, their development and issues experienced by them.

In the perspective on the abovementioned, the present investigation is done with the beneath referenced targets is relied upon to toss a light on act, issues, prospects and issues identifying with business in Small and Medium Scale Industries especially in Industrial territories that have stayed lethargic and turned out with recommendations for execution at various dimensions for growing right kind of little enterprise required in provincial and in reverse zones.

1. To investigation the execution of SMSI in the development and advancement of little units in Industrial territories.
2. To enquire into the financial foundation of little business people rising in Industrial territories.
3. To assess the little business people endeavors and execution in Industrial zones in Karnataka.
4. To investigation the issues being looked by the little units in SMSIs.
5. To gauge the Development and development choices for little scale units in these SMSIs.
6. To offer proposals dependent on discoveries.

Hypotheses of the Study

So as to accomplish the above goals, the accompanying speculations have been set for the investigation.

1. The locational advantage have its own effect on the business people passage and execution.
2. The family foundation of the business people has its own effect on the enterprising execution.
3. The pioneering execution is affected by the classification to which they have a place.
4. Formal training has affected the effective business.
5. The much better execution of the business visionaries is influenced by such a significant number of issues.

Methodology and Sampling Design

Small and Medium Scale Industries with the capital not exceeding Rs.500 lakhs
Little and Medium Scale Industries with the capital not surpassing Rs.500 lakhs which incorporates modest units, auxiliary ventures, send out arranged businesses, ladies endeavors, little administration units have been considered for the assessment of execution, issues and prospects of Small and Medium Scale Industries in Industrial zones of SMSI in Karnataka.

So as to test the speculations and meet the targets of the examination, the information has been gathered from the both essential and optional sources. A detailed survey was set up for managing on business people and essential information was assembled. An irregular example size of 400 business people from 34 SMSIs of SMSI was chosen. Due thought has been given to the units situated in various Industrial territories. Out of 400 examples business visionaries,

Apart form the above: secondary sources was also tapped from annual report of SMSI, Progress Reports, MIS Report on Industrial Policys, booklets, information

broachers of SMSI, Kaigarika Vartha, ICSI Herald, Books, Journals, Articles etc. The materials have been collected from planning and statistics department, Directorate of Industries, SISI, AWAKE, Ministry of Small Industries, KSIMC's office, NISC, SIDO and even from Websites, University library and ICSSR-NASSDOC.

Scope of the Study

The Industrial areas of SMSI have gained a lot of significance on account of several factors particularly due to rapid industrialization and balanced growth in rural and backward area. In this connection, it may be mentioned that the establishment of Industrial Policy has given great importance for the growth and development of small scale industrial units. There are at present 841 sheds constructed in which more than 5,000 units are operating in 11 Industrial areas spread in Davanagere districts of Karnataka. State. The study is confined to Small and Medium Scale Industries functioning in Industrial areas of SMSI in Karnataka State. Moreover, the researcher hails from the same state and problems can be better perceived.

Analysis of the Data

So as to demonstrate the deductions or invalidate the theories, the information gathered was dissected with the assistance of factual procedure like proportions, rate, development rate, weight focuses and positioning strategy.

Limitations of the Study

The study is confined to SSI units in SMSI only, since the units are facing identical problems and enjoying identical facilities. Moreover, time and money constrains have also affected the researcher's decision to limit the study the SMSI. Lack of knowledge about the importance of research among the respondents also affected the study. Some entrepreneurs are reluctant to give the data due to known and unknown reasons. The analysis of data is purely based on the information given by the respondents during field survey.

Concept of Small and Medium Scale Industries

The concept of the SMSI has emerged in industrial countries toward the end of the nineteenth century as a means to promote, plan and manage industrial development. Since 1970s, there has been a massive increase in the number of areas worldwide, especially in rapid industrializing countries. There are now more than 12,000 of these areas in the world. They vary widely, in age, size, type of Organisation. But they do have essential common elements and as an effective instrument adopted for the reduction of costs of infrastructure and stimulating regional economic activities.

Programme of Industrial Areas in Karnataka

The establishment of industrial areas in Karnataka is mainly an economic lesson drawn from British. The idea of industrial area was originally suggested by the international planning team assembled with the aid of the Ford foundation which undertook a study of small industries in Karnataka and made recommendation for their future development. Earlier to the above study, the small units faced difficulties in acquiring good factory accommodation at suitable sites with facilities of water, electricity transport, bank, post office, canteen, watch and ward, first aid etc. Industrial areas with fully developed sites and sheds appeared to be an effective means to constructive industrial progress. Hence, the programme of Industrial Area was first adopted by the Small and Medium Scale Industries Board at the meeting held in January, 1955. the establishment of industrial areas and construction of sheds got momentum in Karnataka towards the fag-end of the first year plan with the object of assisting the industries in small scale sector, during 1951-56.