MARKETING PROBLEMS AND PROSPECTS OF SMALL SCALE INDUSTRIES -A CASE STUY OF DAVANAGERE DISTRICT IN KARNATAKA STATE

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Abstract:

Small scale sector is an integral part of India's industrial economy. Capital deficiency and surplus man power force Indian economy to rely on small scale industries for income generation and employment creation. Small scale units must adopt themselves to changing conditions and create huge marketable surplus including exports. Over the years small scale industries in India have contributed considerably to India's income, employment and exports. To promote the growth of small scale industry the Government of India has introduced many policies and programs from time to time. All these aspects have been analysed in this article. It highlights obstacles to the growth of small scale sector in Davanagere district of Karnataka State in nutshell.

The small scale industrial sector which plays a pivotal role in the Indian economy in terms of employment and growth has recorded a high rate of growth since Independence in spite of stiff competition from the large sector and not so encouraging support from the Government. This is evidenced by the number of registered units which went up from 16,000 in 1950 to 36,000 units in 1961 and 33.7 lakh units in 2000-2001. During the last decade alone, the small scale sector has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro-wave components, electro medical equipment T.V.Sets. tec.,

The government has been following a policy of reservation of items for exclusive development in the small scale sector. At the time of the 1972 census of Small Scale Industrial Units, there were 177 items in the reserved list. By 1983, the reserved list included 837 items for exclusive production in the small scale sector. These units produce over 8,000 commodities.

Census 2001-02 reported that 97.2% of the registered SSI units were proprietary, only 1.3 percent were partnerships and 0.5 percent were private companies and just 0.1% were cooperative. In other words, the dominant type in the ownership pattern is proprietary with a small fraction operating as partnerships.

Table -1 Production, Employment and Exports in Small Scale Sector.

Year	Regis-tered	No.of Units(in Lakhs) Unregd.	Total	Production (Rs.Crores) At current prices	At 1993-94 Prices	Employ-ment (lakhs)	Export (Rs.crores) at current prices
1994-95*	19.44	6.27	25.71	2,98,886	2,66,054	146.56	29,068
1994-95	11.61	67.99	79.60	122,154	1,08,774	191.40	29,068
1995-96	11.57	71.27	82.84	1,47,712	1,21,175	197.93	36,470
1996-97	11.99	74.22	86.21	1,67,805	1,34,392	205.86	39,248
1997-98	12.04	77.67	89.71	1,87,217	1,46,263	213.16	44,442
1998-99	12.00	81.36	93.36	2,10,454	1,57,525	220.50	48,979
1999-00	12.32	84.83	97.15	2,33,760	1,70,379	229.10	54,200
2000-01	13.10	88.00	101.10	1,61,297	1,34,401	238.73	69,797
2001-02	13.75	91.46	105.21	2,82,270	1,95,613	249.33	71,244
2002-03	14.68	95.42	110.10	3,14,850	30,677	260.21	86,013
2003-04	15.54	98.41	113.95	3,64,547	3,36,344	271.42	97,644

2004-05	16.57	102.02	118.59	4,29,796	3,72,938	282.57	1,24,417
2005-06	18.70	104.7	123.40	4,97,886	4,18,884	294.91	1,50,242
2006-07	-	-	128.44	5,85,112	4,71,663	312.52	1,77,600
2007-08	-	-	133.68	6,95,126	5,32,979	322.28	N.A.
Table 1A Production,Employment and Exports in MSME Sector							
2006-07	-	-	261.01	7,09,398	N.A.	594.61	1,82,536
2007-08	-	-	272.79	7,90,759	N.A.	626.34	2,02,017
2008-09	-	-	285.16	8,80,305	N.A.	659.35	N.A.
2009-10	-	-	298.08	9,82,919	N.A.	695.38	N.A.
2010-11	-	-	311.52	10,95,758	N.A.	732.17	N.A.

Output and Employment of the Small Industries:

According to the Third Census in 2001-02, there was 13.75 lakhs units in the registered sector and 91.46 lakhs units in the unregistered sector. Ironically, the census estimated much lower figures of production by SSI sector. Keeping this in view the Ministry of Small scale Industries, revised data pertaining to SSI Sector. (Date for comparison is given in Table 1)

The data reveals that the total number of SSI units has increased from 79.6 lakhs in 1994-95 to 133.38 lakhs in 2007-2008, indicating an annual average growth rate of 4.1 from Rs.1,09,116 crores in 1994-95 to Rs.5,32,979 crores in 2007-08 i.e. an annual average growth of 13.0 percent. As a consequence of the increase in SSI units more especially in the unregistered sector, employment increased from 191.4 lakhs in 1994-95 to 322.30 lakhs in 2007-08, recording an average growth rate of 4.07 percent annum. So far as exports by SSI sector are concerned, they increased from Rs.29,068 crores in 1994-95 to Rs.1,77,600 crores in 2006-07, recording a growth rate of 16.26 per cent per annum. The Ministry has not changed the data pertaining to exports. On the whole, it can be stated that during 1994-95 to 2007-08, the SSI sector recorded an average growth rate of production by 13.0 percent, (at constant prices) of employment by 4.07 per cent and of exports by 16.26 percent. This is a creditable achievement.

Since 2006-07, the nomenclature of the Ministry of Small Sale Industries has been changed and now it is named as Ministry of Micro, Small and Medium Enterprises. As the name suggests now service sector enterprises working at small scale have also been included in the MSME sector. Latest data published by the Ministry in its Annual Reports 2009-10 now gives composite number of enterprises (both manufacturing and service). Likewise production figures also pertain to MSME and not just small Scale Industries. Therefore figures as shown in the second part of the table since 2006-07 are not comparable with earlier data. Fourth census of MSME sector estimated that 67 percent of the MSMEs are manufacturing enterprises and 33 percent are service enterprises. Using this approximation, readers can compare the data pertaining to 2006-07 and later years with the earlier period.

Obviously, the growth rate of the small scale sector has been faster both in terms of output and employment. In other words, the output employment ratio for the small scale sector is 1: 1.4. The rapid growth of the small scale industries has a great relevance in our national economic policies. The growth of the small scale sector improves the production of the non durable consumer goods of mass consumption. As such, it acts as an anti-inflationary force. If a big push is given to the small sector, it can become a stabilizing factor in the capital scarce economy like India by providing a higher output capital ratio as well as a higher employment capital ratio.

In this connection, we may refer to the relatively low capacity utilization of the small scale industries. The capacity utilization in the small scale sector as a whole was of the order of 53 percent. Therefore, however, many units having high capacity utilization e.g. industries utilizing 60 to 80 percent of the capacity included leather goods, readymade garments, tiles woolen, knitwear etc., Industries like plastic products has very low capacity utilization (29 percent).

Exports: Substantial increase in exports, were observed in the case of readymade garments, canned and processed fish, leather sandals and chappals, food products, hosiery and marine products, etc.,The value of exports increased to Rs.1,643 crores in 1980-81 and to a record high figure of Rs.1,50,242 crores in 2005-06. A very significant feature of exports from the small scale sector is their share in non traditional exports. The share of exports from the small scale sector represents about 32.3 percent of total exports in 2005-06.

The obvious conclusion is that the growth of SSIs in terms of number and output is comparatively much higher in reserved item than in unreserved items. The policy of reservation has, therefore, positively helped the growth of this sector.

THIRD CENSUS OF SMALL SCALE INDUSTRIES (2001-02)

Since the date of the second All India Survey pertaining to 1987-88 had outlived its utility, it was strongly felt that there was a need for undertaking a third survey of Small Scale Industries (SSI) so that policy formulation for the SSI sector is based on more authentic and recent information. The SSI ministry undertook this survey pertaining to 2000-02

Data reveal that there were 105.2 lakhs SSI units in 2001-02, out of which registered SSI units were 13.75 lakhs or 13 percent of total, and the unregistered units were 91.5 lakhs or 87 percent of total. The employment in the SSI sector was was of the order of 249. Lakhs, out of which registered sector contributed 61.6 lakhs, or nearly 25 percent and the unregistered sector contributed 187.7 lakhs or 75 percent of total. Per unit employment was 4.5 persons in the registered sector and 2 persons per unit in the unregistered sector.This underlines the fact that unregistered sector provided employment to three times the number of persons employed by the registered SSI sector (refer table 2)

Although fixed investment per unit was Rs.1.5 lakhs for the entire SSI sector, it was of the order of Rs.6.7lakhs in the registered sector and barely 0.7 lakhs in the unregistered sector. Relatively speaking, fixed investment per unit in the registered sector was nine times that in the unregistered sector. Investment per unit of labour employed (capital-labour ratio) was Rs.1.49 lakhs for the registered sector as against only 0.33 lakhs for the unregistered sector.This also confirms the relatively lower capital intensity per unit of labour in the unregistered sector. Similarly, labour productivity (i.e. output employment ratio) of the registered sector was Rs.3.29 lakhs as against merely 0.42 lakhs in the unregistered nearly eight times.

Annual production per unit in the registred sector was RS.14.78 lakhs as against that of the unregistered sector only Rs.0.86 lakhs- 17 times.

The reasons for non registration were elicited in the third census. Interestingly, 52.3% of the units informed that they were not aware of provisions for registration, while 40.6 percent of the units indicated that they were not interested.

Table 2 Final Results of SSI third Census (Selected magnitudes of SSI sector – 2001-02)

	Registered SSI	Unregistered SSI	Total
No. of Units (lakhs)	13.75 (13.1)	91.76 (86.9)	105.21 (100.0)
Fixed Investment (Rs.Crores)	91,792 (59.5)	62,557 (40.5)	1,54,349 (100.0)
Production in SSI sector (Rs.crore)	2,03,255 (72.0)	79,015 (28.0)	2,82,270 (100.0)
Employment (lakhs)	61.6 (24.7)	187.6 (75.3)	249.3 (100.0)
No.of sick units/ incipient sick units(lakhs)*	1.92 (23.4)	6.30 (76.6)	8.22 (100.0)
No.of sick units as per RBI criteria (Nos.)**	38,400 (45.0)	46,888 (55.0)	85,288 (100.0)
Fixed Investment per unit(Lakhs)	6.7	0.7	1.5
Output Investment Ratio	2.2	1.3	1.8
Investment per unit of labour employed (lakhs)	1.49	0.33	0.62
Output employment ratio (Rs.lakhs)	3.29	0.42	1.13
Per unit employment	4.5	2.00	2.4

Production per unit (Rs. Lakhs)	14.78	0.86	0.27

Source: Ministry of SSI, compiled and computed from final results of third census of small scale Industries.

Third Census has brought out the hard reality that there is very high concentration of SSI units in seven states, viz.. Maharashtra, Uttar Pradesh, Punjab, Haryana, Tamil Nadu, Andhra Pradesh and West Bengal. These states accounted for 55 percent of total employment, 68 percent of total fixed investment and about 60 percent of the total production (refer table 3)

Table 3 provides some important parameters of SSI. It may be noted that fixed investment per unit is the highest in Haryana(Rs.6.76 lakhs) followed by Maharashtra (Rs.3.48 lakhs) and Punjab (Rs.3.15 lakhs). In West Bengal, Investment per unit is the lowest (Rs.0.72 lakhs). This broadly indicates the fixed investment levels of the units in various states.

Table 3 Some Parameters of SSI in 7 States at the Top in SSI Production (2001-02)

	No. of Units (lakhs)	Employment (lakhs)	Fixed Investment (Rs.Crore)	Production (Rs. Crore)
Maharashtra	8.03	20.51	27,981	41,019
Uttar Pradesh	17.08	40.02	17,288	27,423
Punjab	3.76	9.08	11,833	26,010
Haryana	2.23	5.53	15,091	19,971
Tamil Nadu	7.88	20.18	10,989	18,274
Andhra Pradesh	8.75	21.39	12,370	18,259
West Bengal	7.71	21.69	5,601	17,679
Sub Total	55.44 (52.7)	138.40 (55.5)	101.153 (65.5)	168.635 (59.7)
All India	105.21 (100.00)	249.32 (100.00)	154.348 (100.00)	282.270 (100.00)

Note: Arranged in the descending order on the basis of Production in SSI sector.

It is really interesting to find that though fixed investment per unit was the lowest in West Bengal, employment per unit was the highest (2.81),followed by Tamil Nadu (2.56), Maharashtra

(2.55) and all the other states in the range of 2.34 to 2.47. Obviously, states do not show large variations in terms of per unit employment. Some states are able to equip the small scale units with better fixed capital as compared with other states. The range is 1:9.4 between West Bengal on the on extreme (Rs.0.72 lakhs) to Haryana (Rs.6.76 lakhs) on the other.

Output investment ratio is the highest for West Bengal (3.16) and lowest for Haryana (1.32). This appears to be in contrast with fixed investment per unit. This implies that Haryana with a higher fixed investment per unit is not able to obtain a higher output per unit of investment. Capital productivity i.e. output per unit of investment is highest for West Bengal (3.16), followed by Panjab (2.2), Tamil Nadu (1.66), Uttar Pradesh (1.59), Andhra Pradesh and Maharashtra (1.48 and 1.47).

Output employment ratio indicates labour productivity. This was the highest for Haryana (3.61),followed by Panjab (2.86) and was the lowest in the case of Tamil Nadu (0.54)

Higher labour productivity was the result of higher capital intensity, i.e. investment per unit of labour. Capital intensity was Rs.2.73 lakhs per unit of labour in Haryana, but as against it, it was merely Rs.0.26 lakhs in West Bengal. Two other states with higher capital intensity were Maharashtra (1.36) and Punjab (1.30). However, Uttar Pradesh, Tamil Nadu and Andra Pradesh indicated very low capital intensity (Range Rs.0.43 to Rs.0.58 lakhs). There is,therefore a great need to improve capital intensity in SSI sector in various states.

Two criteria have been used to determine industrial sickness. On the basis of the first criterion (Erosion of net worth or delay in repayment of institutional loan or continuous decline in gross output),8.22 lakhs units were reckoned as sick units. But on the basis of second criterion laid down by the Reserve Bank of India (Erosion of net worth or delay in repayment of loans among units having outstanding institutional loan), only 0.85 lakhs units were reckoned as sick units. It appears that the first set of criteria is more comprehensive since it includes continuous decline in gross output as the third criterion, besides the other two i.e. erosion of net worth and delya in repayment of loan. From the growth point of view, this is a better method of judging the performance of SSI units because institutional loans are intended to increase out put. Even then, the percentage of sick units in the registered sector (1.92 lakhs out of 13.75 lakhs) is 14 percent and that in the unregistered sector is (6.30 lakhs out of 91.46 lakhs) 6.9 percent. The overall percentage of sick unit is 7.8 (8.22 lakhs out of 105.2 lakhs)

SMALL SECTOR INDUSTRIAL POLICY:

The Government announced its policy towards the small sector on 6th August 1991. The main feature of the policy were:

The Small Scale Industrial Sector has emerged as a dynamic and vibrant sector of the economy during the eighties. At the end of the seventh Plan period, it accounted for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. It also provided employment opportunities to around 12 million people.

The primary objectives of the Small scale Industrial Policy during the nineties was to impart more vitality and growth impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports.

TINY ENTERPRISES:

Government have already announced increase in the investment limits in Plant and Machinery of small scale industries, ancillary units and exports oriented units to Rs.60 lakhs, Rs.75 lakhs and Rs.75 lakhs respectively. Such limits in respect of "TINY" enterprises would now be increased from the present Rs.2 lakhs to Rs.5 lakhs irrespective of location of the unit.

Henceforth, all Industry-related service and business enterprises, irrespective of their location, would be recognized as small scale industries and their investment ceiling would correspond to those of tiny enterprises.

Financial Support Measures.

Inadequate access to credit both short term and long term remains a perennial problems facing the small scale sector, emphasis would henceforth shift from subsidized/cheap credit, except for specified target groups, and efforts would be made to ensure both adequate flow of credit on a normative basis, and the quality of its delivery, for viable operations of this sector.

To provide access to the capital market and to encourage modernization and technological upgradation, it was decided to allow equity participation by other industrial undertakings in the SSI,not exceeding 24 percent of the total shareholding. This would also provide a powerful boost to ancillarisation and sub contracting, leading to expansion of employment opportunities.

A beginning has been made towards, solving the problem of delayed payments to small industries by setting up of 'factoring' services through Small Industries Development Bank of India (SIDBI). Network of such services would be set up throughout the country and operated through commercial banks. Factoring services imply that SIDBI or any commercial bank will buy the manufacturer's invoices from SSI units and take the responsibility for collecting payments due to them by charging a commission.

Infrastructural Facilities

A Technology Development Cell (TDC) would be set up in the Small Industries Development Organisation (SIDO) which would provide technology inputs to improve productivity and competitiveness of the products of the small scale sector. The TDC would coordinate the activities of the Tool Rooms, Process-cum-Product Development Centres (PPDs), existing as well as to be established under SIDO, and would also interact with the other industrial research and development organizations to achieve its objectives.

Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small scale sector, particularly the tiny sub-sector.

Marketing and Exports

National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between NSIC and SSIDCs would be established.

Though the Small Scale Sector is making significant contribution to total exports, both direct and indirect, a large potential remains untapped. The SIDO has been recognized as the nodal agency to support the small scale industries in export promotion.

Modernisation, Technological and Quality Upgradation

Industry Associations would be encouraged and supported to establish quality counseling and common facilities. Technology and markets would be established.

Promotion of Entrepreneurship

Government will continue to support first generation entrepreneur through training and will support their efforts. Large number of EDP trainers and motivators will be trained to significantly expand the Entrepreneurship Development Programmes(EDP). Industry Associations would also be encouraged to participate in this venture effectively. Women entrepreneurs will receive support through special training programmes.

Village Industries: Handloom Sector

Handloom sector contributes about 30 percent of the total textile production in the country. It is the policy of Government to promote handloom to sustain employment in rural areas and to improve the quality of life for handloom weavers.

Janata Cloth scheme which sustain weavers often on a minimum level of livelihood will be phased out by the terminal year and VIII Plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernization of looms, training, provision of better designs, provision of better dyes and chemical and marketing assistance.

Handicraft Sector – The key areas in handicrafts that could contribute towards a faster pace of rural industrialisation are production and marketing. Scheme for training and design development and for production and marketing assistance will be given encouragement.

Other Village Industries

The activities of the Khadi and Village Industries Commission and the State Khadi and Village Industries Boards would be expanded and the organizations strengthened to discharge their responsibilities more effectively.

The programmes of intensive development of KVI through area approach with tie-up with DRDA,TRYSEM and ongoing developmental programmes relating to weaker sections like Scheduled Castes, Scheduled Tribes and women would be extended throughout the country.

VILLAGE AND SMALL INDUSTRIES IN THE NINTH AND TENTH PLAN

The Ninth Plan mentions that during the last few years “the growth of SSI sector in the non reserved categories which is proof of their inherent strength and resilience of the small scale sector and its ability to respond to the challenge of the market forces”.11

To increase the flow of credit, the Government has started setting up specialized branches of banks exclusively meant for providing credit to SSIs.

To improve technology of SSIs, SIDBI has already set up a Technology Development and Modernisation Fund with a corpus of Rs.200 crores. The Government has also set up Technology Trust Fund with contributions from State Governments and industry associations for transfer and acquisition of the latest technologies.

Under the scheme of Integrated Infrastructure Development Centres (IIDCs), infrastructure facilities are being developed in backward rural areas. 50 such IIDCs were to be set up during the Eighth Plan Period, out of which 22 have been approved. This scheme was continued during the Ninth Plan with more incentives and financial assistance in hilly areas and North Eastern States.

To provide technological support and training to small scale sector, tool rooms with German, Danish and Italian assistance centres are being set up a Indore, Ahamedabad, Bhuvneshwar, Jamshedpur and Aurangabad.

The credit provided to the SSI sector by the financial institutions is considered credit to 'priority sector'. By March 1996, the total credit provided by public sector bank stood at Rs.29,842 crores. This has risen to Rs.1,02,500 crores in 2006-07 with change in definition of priority sector, data shows the public sector banks credit to small enterprises stood at Rs.1,48,651crores in March 2008.

A review of the targets and achievements of the Ninth Plan reveals that the target of small scale industries and raw silk production was more or less achieved. However, there was considerable failure to achieve the production targets of handloom cloth, powerloom cloth and handicrafts. Similarly, there was serious slippage of employment target. As against the target of 66 million persons in terms of employment target by 2001-02, actual achievement was only 48.3 million. Here also handlooms, powerlooms and handicrafts were the significant non-achievers. De-reservation of important SSI items was chiefly responsible for this failure. On the export front, the achievement was remarkable. Small Scale Industries recorded export growth of Rs.89,665crores as against the target Rs.62,457 crores- 44 percent more than the target.

A close perusal of the targets set in the Tenth Plan indicates that some targets had been fixed without taking into account the ground reality. For instance, a target of Rs.14,04,000 crores by 2006-07 in small scale industries production was completely unrealistic. An annual average growth rate of 15.2 percent is doomed to be a failure, more son in view of the state policies of withdrawing incentives from the SSI sector. Similarly, a target of 1,32,821 millions sq.metres in powerloom production was also unrealistic, in view of the fact that during the Ninth Plan, there was a failure to achieve the target. The Government by de-reserving readymade garments created a situation which has adversely affected this sector. The same situation is prevalent in exports. The Government wanted small industries export to rise from Rs.65,000 crores in 2001-02 and Rs.1,26,000 crores in 2006-07 at an average annual growth rate of 14 percent but withdrew all concessions and incentives to the small sector. The Government therefore, has to lay down a clear cut policy about the small sector. Its entire emphasis of providing more and more incentives to the corporate sector, while raising its expectations from the small sector, is inconsistent and needs an urgent review. It is really distressing to find that the Governemnt allocated Rs.7,754 crores on the village and the small industries(VSI) sector during the Tenth Plan. This includes Rs.2,085 crores allocated for Khadi & Village Industries. This work out to be 0.5 percent of the total public sector outlay in the Tenth Plan. This was too low an allocation keeping in view the target of production set for small and village industries. As a result we find failure in achievement of plan targets during Tenth Plan. Production in Small Scale Industries was recorded at just Rs.5,85,112 crores at the end of Tenth Plan, just 41 percent of the target. Though production targets were more or less could not be achieved during Tenth Plan, employment targets were almost achieved except handloom sector. Performance of export was more or less better than the targets except coir industries , despite withdrawal of incentives and concessions.

Table 11; Performance of the VSI Sector Production, Employment and Exports.

		Ninth Plan Achievement		Tenth Plan	
Sub-sector (scheme)	Unit	Target* 2001-02*	(Anticipated Achievement) 2001-02	Target 2006-07	Anticipated Achievement 2006-07
A.Production					
1.Small Scale Industries	Rs.Crores	7,38,180	6,90,522	14,04,000	5,85,112
2.Coir Fibre	000 tones	375	375	435	430
3.Handloom Cloth	Mill Sq.m.	12,336	7,579	10,000	6,541
4.Power Loom Cloth	Mill.Sq.m.	30,489	25,273	1,32,821	33,159
5.Raw Silk	Met.Tones	20,540	18,395	26,450	16,800
6.Handicrafts	Rs.Crores	52,201	18,677	47,204	38,660
B.Employment					

1.Small Scale Industries	Million person	18.4	19.3	23.7	31.2
2.Powerloom	Million person	8	4.2	4.5	5
3.Coir Industries	Million person	0.6	0.54	0.65	0.64
4.Handloom	Million person	17.3	12.4	12	6.5
5.Sericulture	Million person	7.1	5.6	6	6
6.Handicrats	Million person	8.2	5.8	6.8	6.8
C.Exports					
1.Small Scale Industries	Rs.Crores	62,457	89,665	1,26,000	1,77,600
2.Coir Industries	Rs.Crores	78,900	325	700	605
3.Handloom	Rs.Crores	3,175	2,200	4,500	4,650
4.Power Loom	Rs.Crores	8,050	11,000	NA	7,562
5.Silk	Rs.Crores	1,525	2,530	4,050	3,200
6.Handicrafts	Rs.Crores	11,950	10,610	17,000	20,963

Prospects of Small Scale Industries in Davanagere District:

Davanagere district in Karnataka State was once upon a time considered as the Manchester of Karnataka. Cotton textile industry of Davanagere is very popular. It exported its products apart from serving to wild National market across the country. There were two major industries in Harihara by name Kirloskar Industries Limited and Harihar Polyfibres Limited. When the concept of industrial estate and industrial area was introduced and implemented by Governments entrepreneurs in this region realized that there was scope for promoting industrial development in this region. Consequently the process of registration of industrial enterprises began. According to official records held by District Industries Centre Davanagere has of now more than 14300 units have registered. But at present only 77 small scale industries are operating in the district. Major industries have closed down. This is the pathetic story of industrial growth especially small scale units in Davanagere district.

Let us examine the major factors responsible for secular deterioration of industrial segment in Davanagere district.

1.Impact of Politics: Since Davanagere and Harihar taluks were once upon a time major and medium industry hub trade union activity was very instance and strong. Communist leaders took over trade union activity and developed into a major political force to reckon with. Workers began to agitate for provision of various facilities, revision of wages, implementation of welfare measures and others. All this could not be done all at once. So strikes and protest were common. Lock out was also declared two times in these industries and finally they had to be closed which was a great loss to the region.

2.The Mushroom increase in registration of small scale industries in the beginning was to serve as ancillary units to medium and major industrial establishment in the region. The closure of large units was a big set back to the growth of dependent small scale units.

3.It is argued that entrepreneurs registered small scale units only to avail benefits and subsidies from government and they were not interested in really developing the units.

4.Most of the entrepreneurs did not have adequate knowledge and information about running small scale units. Availability of raw material, marketing of products are some of the factors which the small industries did not pay proper attention to. They could not start business on time.

5.Becuase of this deficiency it was difficult for them to get adequate credit facility from banks and other financial institutions.

6.On account of lack of finance small scale units could not upgrade technology and adopt modern methods of production.. This had a telling effect on the quality of output manufactured by them.

7.Due to poor quality of products small scale industries in Davanagere district were unable to build brand of their products and establish assured market. This resulted in continuous loss to these units.

CONCLUDING REMARKS:

All these factors along with others were responsible for total decay of industrialization process in Davanagere region. This is a serious issue. All though there is scope for developing small scale units in the region the concept is yet to take off. District Industries Centre Davanagere , SIDO and KSSIDC must take lead, sort out the problems and create a new avenue for providing favorable atmosphere to industrial development in Davanagere region. Entrepreneurs must become pro active, change their attitude and start production in their units. They must bring about an improvement in quality by making necessary technological changes. All this depends on the commitment and will of the entrepreneurs. Trade Unionism must become soft and focus initially on creating surplus and then force implementation of welfare measures. Integration of industry approach has to be followed to give a new shape to the process of industrialisation in Davangere region. The future is not bleak.

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