

# EVALUATION OF PERFORMANCE OF KARNATAKA STATE SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD – A GENERAL REVIEW

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## **ABSTRACT:**

Small scale industries play a major role in development of any country. For India, industries are indispensable. BharathaRathna Sir M.Visveswaraya, a visionary remarked –‘Industrialise or perish’, which implies the importance of industries in the development of any nation. It is true that rapid industrialization contribute to the growth of large number of small and medium scale industries.

During the past five decades, small scale industries have received special attention in the process of industrialization and regional development in most of the developing countries. The small scale industries are to posses certain special features viz., less capital intensive, more labour intensive, adopt optimal technology, disperse in rural and backward areas, reduce regional imbalances.Flexible in operation, export orientated, widely spread entrepreneurship and equitable distribute the economic wealth of the country. Therefore, the small scale industries play a significant role in the mobilizing latest resources, economizing capital, making possible rapid increase in production, export, employment and entrepreneurship.

The study aims to evaluate the performance of SSI units located in industrial estates of KSSIDC and trace out the problems, the small units are facing, socio economic background of small entrepreneurs and to give useful suggestions keeping in mind the entire gamut of process and measures of industrialization through continued efforts of Government to nurture and nurse small industries.

**Important terms:** Industrialisation, Small scale industries, socio-economic objectives

## **1. INTRODUCTION:**

BharathaRathna Sir M.Visveswaraya, a visionary in his book “Planned economy” remarked – ‘Industrialise or perish’, which implies the role industries in the economic development of any nation. Without industries, economic development is impossible. Again in a developing economy like India, industries are indispensable.Developments of industries are not only indispensable for India, but also there is wide scope for the development of industries.India has many favourable and conducive factors for rapid development of industries.In the words of Mahatma Gandhi, “India must protect her primary industries as a mother protects her children against the whole world without being hostile to it”.The role of the small scale industries sector is

well recognized from its significant contribution in the mobilizing latest resources, economizing capital, making possible rapid increase in production, export, employment and entrepreneurship.

During the past five decades, small scale industries have received special attention in the process of industrialization and regional development in most of the developing countries. Small scale industries have thus believed to possess certain special features viz., less capital intensive, more labour intensive, adopt optimal technology, disperse in rural and backward areas, reduce regional imbalances. Flexible in operation, export orientated, widely spread entrepreneurship and equitable distribute the economic wealth of the country.

The small scale industries sector over the years has grown steadily and occupied an important place in the economy. Contribution of this sector in terms of generation of employment during the period 2009-2010 stood at 245.64 lakhs. Output of 9, 65,332 crores and export of ` 1,17,968crores are quite significant.

As at the end of 2009-10, there were 34,72,188 small scale units registered in India. The number of registered units has been increased from 0.42 million as at the end of 1974 to 3.37 million at the end of 2010. However, there were around 9,69,245 unregistered units during the same year.

Currently, SSI sector account for around 95 percent of industrial units in the country account for around 95 percent of industrial units in the country with a contribution of 40 per cent of manufacturing sector output and approximately one third of the nation's exports. At the end of March 2010, there were 3.37 millions modern SSI units providing direct employment to around 2.86 million people.

U.C.Patnik clearly stated that the small scale industries occupy a strategic position in the Indian economy. The sector play a vital role in fulfilling the socio-economic objectives of the nation and have emerged as a powerful tool in providing relatively large employment for given unit of investment, equitable wealth distribution and removal of regional economic disparities and SSI sector has become one of the thrust area of development.

## **2. NEED FOR THE STUDY:**

A Study the financial performance of KSSIDC deep probe into the available literature relating to small scale industries in industrial estates hints the researcher that, almost all the studies focused on different dimensions of SSI's in industrial estates of a particular region. However, even though many research studies have been carried out in Karnataka State, no such micro study has been done by any researcher so far for development of SSI's especially in the Industrial Estates of KSSIDC and documented it. Hence, the present study. Therefore the study aim to evaluate the performance of SSI units located in industrial estates of KSSIDC and trace out the problems, the small units are facing

### 3. OBJECTIVES OF THE STUDY:

Small scale industries constitute a big segment of India's industrial fabric. It is the biggest sector providing employment opportunities to the Indians next to agriculture. But the SSI units are the worst sufferers after the liberalization of Indian economy vis-à-vis with the entry of giant multinational companies and the present economic conditions have also affected SSI sector. Therefore it is necessary to evaluate the performance, their growth and problems encountered by them.

In the view of the above, the present study is carried out with the below mentioned objectives.

1. To study the financial performance of KSSIDC in the growth and development of small units in industrial estates.
2. To enquire into the socio economic background of small entrepreneurs emerging in industrial estates.
3. To evaluate the small entrepreneurs efforts and performance in industrial estates in Karnataka.
4. To study the problems being faced by the small units in KSSIDC estates.
5. To estimate the Development and growth options for small scale units in these estates.

### 4. HYPOTHESES OF THE STUDY:

In order to achieve the above objectives, the following hypotheses have been set for the study.

1. The location advantages have its impact on the entrepreneurs' entry and performance.
2. The family background of the entrepreneurs has its own impact on the entrepreneurial performance.
3. The entrepreneurial performance is influenced by the category to which they belong.
4. Formal education has influenced the successful entrepreneurship.
5. The much better performance of the entrepreneurs is affected by so many problems.

### 5. SCOPE OF THE STUDY:

1. The Industrial Estates of KSSIDC 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 estate has given great importance for the growth and development of small scale industrial units.
2. Small scale industries with the capital not exceeding Rs.500 lakhs which includes tiny units, ancillary industries, export oriented industries, women enterprises, small service units have been considered for the evaluation of performance, problems and prospects of small scale industries in industrial estates of KSSIDC in Karnataka.
3. At present, there are 5,573 sheds constructed in which more than 5,000 units are operating in 165 industrial estates spread in 30 districts of Karnataka State. The study is confined to small scale industries functioning in industrial estates of KSSIDC in Karnataka State. Moreover, the researcher hails from the same state and problems can be better perceived.

## 6. METHODOLOGY AND SAMPLING DESIGN:

In order to test the hypotheses to meet the objectives of the study, the data has been collected from the both primary and secondary sources. An elaborate structured questionnaire was prepared and administered on entrepreneurs, primary data was gathered. The secondary sources was tapped from annual reports, information brochures of KSSIDC, Progress Reports, MIS Report on industrial estates, booklets, KaigarikaVartha, Directorate of Industries, SISI, AWAKE, Ministry of Small Industries, KSIMC's office, NISC, SIDO and even from Websites, University library.

## 7. SUMMARY OF FINDINGS:

The study was made by taking KSSIDC estates in the state of Karnataka by conducting the survey of 40 entrepreneurs. The major findings of the study are as below.

1. In the pre-independence era, India has witnessed the slow growth and absence of broad based entrepreneurship. The factors such as caste system, Colonial rule, joint family system, cultural traditions, educational system and the like were responsible for this situation.
2. In the post-independence era, India has been a witness to the emergence of large industrial house, expansion and diversification of those industrial houses existing before independence, the emergence of state as an entrepreneur through the creation of the public sector on the industrial map of the country and also the entrance of multinational corporations on the industrial scene.
3. After 1950, SSIs have received the special attention of the Governments. The state has recognized the special feature and advantages of this sector. Such as low capital base, more labour intensive, regional balanced development, flexibility in operation, optimum use of resources etc.
4. The SSI sector, over the years has grown steadily and occupied an important place in the economy. At the end of 2001 there were 3.37 million units the country generating employment to 185.64 lakhs people, produced output worth of Rs. 6,50,332 crores and exported products worth Rs. 53,975 crores.

## 8. SUGGESTIONS:

The emergence of small entrepreneurs has far reaching implications for the social and economic advancement of any nation. The process of growth and development of SSI units should not merely stop by the establishment of industrial estates. There should be a total commitment on the part of KSSIDC, Government and other agencies involved in the task of development of SSI's. The study on the performance and problems of SSI units in KSSIDC estates and the role played by KSSIDC in the State of Karnataka offers a scope for giving a few suggestions. Considering the above, a few suggestions based on field survey, secondary data and observations are given below.

1. Mere establishment of industrial estates do not by itself assure the growth and development of SSI's in the State of Karnataka. An integral functional approach on the part of Government, department of KSSIDC is even more important.



2. The KSSIDC is allotting the sheds and plots to those who are approaching them. Such a 'Wait and Allot' approach. To be precise, the entrepreneurs with talent and interest should be identified and be allotted with the required sheds.
3. To motivate the entrepreneurs to start more and more small scale industrial units, Entrepreneurship Development Programmes should be conducted and the course content of such programmes should be strengthened.

## 9. CONCLUSION:

The present study was undertaken with an objective of studying the performance, problems and prospects of small scale industries in KSSIDC estates in Karnataka State in the context of development of SSI's. It has been achieved with the study of factors motivating the small entrepreneurs in the study area, their performance, impact of zone, family background, category and education on the investment turnover, profitability, marketing area and changes introduced. The study has 5 hypothesis.

The first hypothesis that location advantage has its own impact on the entrepreneurs entry and performance is proved by the fact that a big number of entrepreneurs have entered into field in Zone-I, the units in Zone-I are comparatively in Zone-I are enjoying national market, running their units I higher ranges of profit and introduced different types of changes.

The second hypothesis on the impact of entrepreneurs family background on their performance proved the fact that entrepreneurs from trade or industrial background are the early entrants to the entrepreneurial field, owning units with higher investment and more annual turnover, enjoying wide marketing network and introduced different types of changes than the entrepreneurs from other two backgrounds.

The third hypothesis that the entrepreneurial performance is influenced by the category is also proved by the fact that the general category entrepreneurs are the early entrants to the entrepreneurial field, owning units with higher investment and more annual turnover, enjoying wide marketing network and earning a good quantum of profit than the entrepreneurs belonging to other three categories.

The fourth hypothesis that formal education has influenced the successful entrepreneurship is supported by the fact that the success rate is more in case of technical and collegiate education holders than matriculates and entrepreneurs with primary education when the year of entry into entrepreneurship, investment made annual turnover, area of marketing, profitability and change introduced are taken as criteria.

The last hypothesis on the much better performance of the entrepreneurs is affected by so many problems is provided by the fact that a large number of entrepreneurs are facing the problems of finance, marketing, labour, rigid Government rules, scarcity of raw-materials, poor management ability, lack of technical knowledge etc. Further the fact that these problems have caused for the under utilizations of capacity of the entrepreneurs also proves that the entrepreneurs would have performed much better provided, there were no problems of the above nature.

In recent years, combined efforts of Central and State Governments, entrepreneurship development institutions, finance agencies, development banks, develop the entrepreneurship in industrial estates so as to climate the poverty, backwardness, unemployment problems etc., being faced by the country and also ensure the local available resources are noteworthy.

The study has successfully evaluated the entrepreneurial scenario in KSSIDC estates, the performance of the entrepreneurs in these estates, their problems and prospects of small industries functioning in these estates.

The KSSIDC has done a very good job by creating an opportunity for the establishment of small units in a particular area with entrepreneurial climate. That is really needed is the commitment of the KSSIDC to identify the entrepreneurial opportunity in the State matching the same with entrepreneurs capacity, motivating the entrepreneurs, attracting them, constructing the sheds in more scientific manner, providing better infrastructural facilities etc. Of course the working of KSSIDC in the above direction is backed by the Government policies, programmes and vision towards industrilisation also. The suggestions on the basis of the findings, if implemented in the good faith, would go a long way in strengthening the entrepreneurial base in the State of Karnataka in central and KSSIDC estates in particular.

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