

A STUDY ON SMALL SCALE UNITS LOCATED IN BANGALORE URBAN AND RURAL DISTRICTS

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ABSTRACT

Small-scale industries constitute a key link in the process of social-economic transformation of underdeveloped social structures. It is no doubt true that in the case of predominantly rural countries processes of transformation either germinating within the rural segment or bringing the later within its orbit of influence will play a crucial role and should, therefore occupy an important place in their development strategy. It is however equally true that rural and urban process is inseparably interwoven in the social-economic developmental process straddling the rural-urban continuum. It constitutes a large component of the system of interdependencies wherein vertical shifts within the workforce from the primary to the secondary sector articulate the development process. Its contribution to industrial development is quite unique. The small-scale industries have been experiencing a major turnaround in the post liberalization period with the growth rate hovering around 15 percent, much higher than the large industries in past five years, despite constraints like infrastructure, finance, market, management and technology. With further improvement in these basic areas, small scale sector will definitely show much better results in this country.

Therefore, the importance of the present study need not be over emphasized in the light of the fact that different problems are centred in this sector and that this study aims at resolving the varied problems of this sector. Further, the study may help the policy makers to formulate certain policies in the light of changing conditions to resolve the problems of small sectors. The study may also lead to further research in the field of small-scale sector.

Key words: Profile, financial problems, non-financial problems, marketing,

DESIGN OF STUDY

STATEMENT OF THE PROBLEM

Small scale industries do not enjoy much of the benefit enjoyed by large scale enterprises because of their nature and size. Though they have made significant contribution to economic development, they have not realized their full potential. The government had reserved certain items for exclusive production by small scale industries. But due to liberalization and Privatization, large scale industries have started producing those items which were exclusively meant for the production by small scale industries. As a result, many small-scale industries have become sick industries due to the competition from Indian large-scale industries as well as foreign industries. Majority of SSIs are located mainly in Urban areas due to the availability of good infrastructural facilities and are registered under VAT, Factory act, ESI and Central Excise. They concentrate mainly on production of industrial goods under the capacity of either sole trading concern or partnership firm.

This study is relevant, particularly, when the Government is very keen on the promotion and development of this capital sparing and labour-intensive sector. A big role is played both by the Public and Private Agencies for the promotion and smooth functioning of the sector. Yet, this sector is not performing up to the expectations of many as it has been suffering from several problems.

REVIEW OF LITERATURE

This chapter presents a brief review of earlier studies related to role of small-scale industries. Literature review stands out as the main tool of the research study. The review of existing literature is not customary rather an essential part of research work. It also facilitates the comparison between the earlier findings and findings of present study.

Data related to the small-scale industries was collected meticulously. Sources of data include books, newspapers, journals; research reports on small scale industries have been examined. Articles of various financial institutions have been thoroughly studied. A few volumes of literature available on the aspects of small-scale industries has been studied at length.

Ramesha (1999)¹ examined the trends in credit supplied to small scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporation's (SFCs) and their interstate disparities. The study found that commercial banks continue to play a dominant role in financing small scale industrial sector. However, the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he has concluded that the banking sector has failed to meet the increasing credit requirements of the SSI sector. The inter-state disparities in the distribution of credit have been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be a sort of complementary relationship between Banks and SFCs in financing small scale sector. Majority of the states that had low bank credit happen to be relatively strong in SFCs credit and vice-versa.

Rajendran (1999)² made a study to examine the various kinds of assistance given to small scale industries with the prime objective of identifying institutional assistance for the development of small-scale industries and the problems faced by these industries in Tiruchirapalli district of Kerala. He has concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There are complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.

Mecrory (1999)³ in his study entitled, "**Latent Industrial Potential**", has suggested policies for improving the utilization of resources in the small industrial sector.

Gholam Ali (1999)⁴ in his study entitled, "**Help makes small scale industries viable**" has revealed that big and small industries have their share in the development of a nation and the prosperity of its masses. A balance must be struck in the development of these industries. The thrust on the development of SSI through successive Five-year plans and Government Policies have helped this sector.

Agarwal (1999)⁵ has mentioned that the entrepreneurs of small-scale industries are generally lacking in knowledge of various aspects as to how to set up an industry. Owing to the predominance of agricultural background of the region, the infrastructure for industrial development has not developed properly. Apart from lack of industrial tradition and managerial class, the state is handicapped by difficult terrain and disturbed socio-political conditions. They are adversely affecting industrialization in the state.

¹ Ramesha.K. (1999): 'Institutional Credit to SSI Sector: Role of Banks and SFCs in the post-reforms Scenario', The Asian Economic Review, Vol.41, No.1, April. Pp-20-31.

² Rajendran.N (1999): 'Institutional Assistance for Small Scale Industries in Tiruchirapalli District', SEDME, Journal, Vol.26, No.2, June.

³ Mecrory, 1999, A Case Study in Latent Industrial Potential, Laghu Udyog Samachar, Vol.11, No.11, P.12.

⁴ Gholam Ali. 1999. Help makes small scale industries viable, Yojana, Oct. 15, Vol.31, No.12, pp-12-17.

⁵ Agarwal, A.K., (1999): 'Industry of Mizoram' in Banerjee, A. and Kar. B. (ed.) Economic Planning and Development of North Eastern State. Kanishka Publishes, New Delhi, pp-232-240.

Khusro (1999)⁶ holds that “if you attempt to create only employment without regard to efficiency, output and surplus, you will soon end up with neither employment nor output or surplus”. Accordingly, Khusro suggests formulation of a strategy that depends on “self-financing surplus generating schemes”.

Sharma (1998)⁷, in his study entitled, “**Industrial development of Andhra Pradesh – A Regional Study**” has observed that the backward districts of the state improved their relative positions in terms of units of employment and capital. Majority of the small units are confronted with the problems of raw materials and finance.

Rethnam (1998)⁸, in his study entitled, “**Rural Industrialization and IRDP**” opined that infrastructure development for industrialization in the rural areas and investment in basic services designed to realize the full potential of human resources in the rural areas should receive a high priority.

Various studies have been conducted from time to time in different states of India on different aspects of small-scale industries. The most of the studies are related to financial aspect, growth of small-scale industries, entrepreneurship in SSIs, WTO regime and small-scale Industries and also related to small industry and globalization. As brought out earlier, though a number of studies have been undertaken regarding SSIs in general and promotional activities undertaken by the Government and by various developmental agencies in particular, much has not been highlighted on the profile of small-scale industries located in Bangalore urban and rural area; financial and non-financial problems of small-scale industries. It is therefore necessary to undertake an independent study at the State level. The present study is an attempt at analysing the financial and non-financial problems of SSIs in Karnataka. An in-depth study of the profile of small-scale units in Bangalore urban and rural districts, financial and non-financial problems faced by small scale units are very much lacking. Hence, the present study is an attempt to fill the gap that exists in the literature on SSIs in India and with special reference to Karnataka.

SCOPE OF STUDY

This study mainly covers the SSIs located in and outskirts of Bangalore. It covers the various Private and Public Industries either owned individually (i.e. Sole Proprietorship) or collectively (i.e., Partnership or Joint Stock Company or Co-operative). It also concentrates on studying the role played by some of the industrial estates organized by the Government and those organized by private agencies including co-operative societies and Joint Stock Companies located in Bangalore Urban and Rural districts.

OBJECTIVES

- a. To study the profile of industries located in Bangalore Urban and Rural districts.
- b. To study the financial and non-financial problems faced by the small-scale units.

METHODOLOGY OF STUDY

The Methodology adopted in the present study includes the choice of the study area, the sampling technique adopted, the collection of data, the period of study and the tools of analysis.

SAMPLING TECHNIQUE

For selecting the small-scale units, stratified random sample method was adopted to ensure a fair representation of different types of units from different areas. As far as institutions are concerned, attempt is made to collect the information from all the units located in Bangalore Urban and Rural districts. In order to evaluate the role of Small-Scale Industries in Bangalore Urban and Rural districts, 125 units were selected by adopting stratified random sampling method out of which 103 units responded. The small-scale

⁶ Khusro,A.M. (1999): The Poverty of Nations, Palgrave Macmillan, London.

⁷ Sarma.R.K. 1998, Industrial Development of Andhra Pradesh – A Regional Analysis, Bombay, Himalaya Publishing House.

⁸ Retnam.N.V. 1998, Rural Industrialiaation and IRDP, Kurukshetra Indian Journal of Rural Development, Vol.XXXIII, No.3, December pp-4-8.

units registered in District Industries Centre over a period of more than 5 years were considered. The proportionate random sampling technique was adopted to select the sample.

COLLECTION OF DATA

This study will be based on Survey method, with both Primary and Secondary data.

PRIMARY SOURCES

Questionnaires are used to collect data from the small-scale units and Personal Interview method has been adopted to collect data from the institutions providing financial and non-financial assistance to small scale units located in Bangalore Urban and Rural Districts. All attempts were made to extract the correct information through informal discussion with the entrepreneurs. The interviews were conducted with the General Managers of District Industries Centre and Industrial Promotion Officers.

SECONDARY SOURCES

The secondary data was collected through the annual reports of Small Industries Development Organization (SIDO), KASSIA, and KSIIDC. The information available from District Industries Centre is also used. The information was collected through various books, journals, research reports, magazines, manuals and newsletter reports on small scale industry, web sites of Government departments and entrepreneurship.

The collected data is analyzed using suitable statistical tools and a finding of the study is presented. Based on the analysis of the finding suitable suggestions are given.

SAMPLE SIZE

A sample of 125 small industrial units is selected for the study. Industrial units registered during the period 2004-2008 to give a special focus to the entrepreneur's performance.

TOOLS OF ANALYSIS

The primary data collected from the sample small scale units has been tabulated using the various tools and techniques like:

- i. **CHI-SQUARE TEST:** It is used to compare Rural/Urban, Consumer /Industrial products with respect to various parameters.
- ii. **FISHER'S EXACT TEST:** Whenever more than 20% of the cell frequency is less than 5, then Fisher Exact Test was used.
- iii. **BINOMIAL TEST:** To compare two responses, say Yes/No, Binomial test is used.

PROFILE OF SMALL-SCALE UNITS AND INSTUTUTIONS ASSISTING SMALL SCALE UNITS

Most of the small-scale industrialists are degree holders possessing minimum of 10 years of experience in the field of business and have established industry on account of self –interest.

They concentrate mainly on production of industrial goods under the capacity of either sole trading concern or partnership firm. Industries have obtained license from BBMP, City Municipality, DIC, and Commercial Tax Department. SSIs are deprived of the concessions/privileges provided by the government as the industries are not located in special economic zone. Production activities are undertaken through rented accommodation. If required, they depend on nationalized banks for raising funds. Loan period usually varies between 7-10 years. Entrepreneurs have not received any assistance from the Government either in the form of interest free loan or power subsidy.

Investment of small-scale entrepreneurs in plant and machinery is above Rs. 1, 00,000 and such investment is mainly from their own savings. Only handfuls of industrialists have depended on institutions for financial and non-financial assistance. Raw materials and other requirements for business are procured from local suppliers from other states.

Work experience promoted them to become an entrepreneur. They are also the members of associations like BANSAL, KASSIA etc., the accounting system is computerized and are income tax assessee. Their books are subject to audit and their produce is sold in local market directly to customers.

The annual turnover of industries is above Rs. 5, 00,000. Very few entrepreneurs participate in fairs and exhibition at state level. The employees are recruited directly or from ITI. Basically, on the job training which is purely technical in nature is provided to the employees and they are tied up with CNC Training Institute. Employees are covered by insurance, Minimum Wages Act, PF & ESI. Regular medical checkup is done for the employees. They also provide bonus and festival advances to their employees. If necessary, up gradation of technology is done once in 5 years. Industries contribute less for export activities. Their production activity is both labour and machine oriented. It requires less water for production which is obtained through government agencies. If required, clearance is obtained from pollution control board. Most of the wastes are solid in nature and are disposed safely. Majority of industries under study are located in privately owned industrial estates and enjoy infrastructural facilities. Marketing, labour, technological obsolescence, financial problem, problem of expansion and diversification are some of the internal and external problems faced by SSIs.

Most of the industrialists have future plans of expanding their industry and are interested in undertaking social welfare activities by way of donations to ashrams, educational trust, Relief fund etc.

TABLE - 1

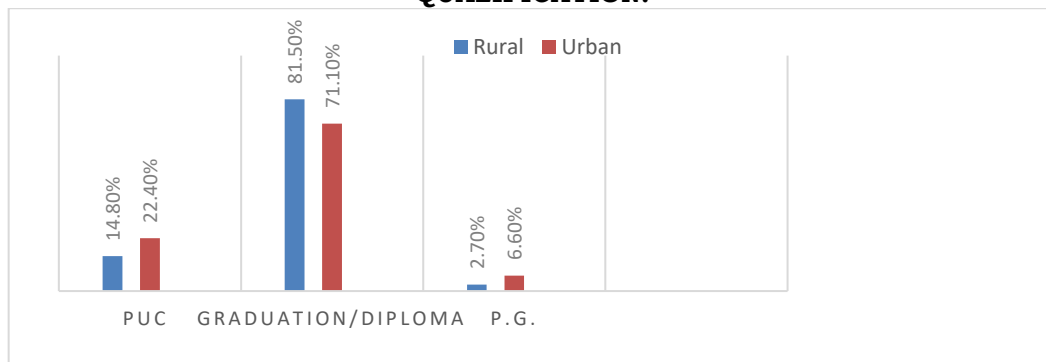
TABLE SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO QUALIFICATION

Qualification	Location		Total
	Rural	Urban	
PUC Holders	4 14.8%	17 22.4%	21 20.4%
Graduation Or Diploma	22 81.5%	54 71.1%	76 73.8%
P.G	1 3.7%	5 6.6%	6 5.8%
Total	27 100%	76 100%	103 100%

	P	
Fisher's Exact Test	.668	NS

GRAPH: 1

GRAPH SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO QUALIFICATION.



RURAL & URBAN COMPARISON:

- 81.5% of the respondents residing in rural areas are either Graduates/Diploma holders when compared to only 71.1% in urban areas.

- 22.4% of the respondents residing in urban areas are PUC holders when compared to 14.8% in case of respondents residing in urban areas.
- 6.6% of the respondents residing in urban areas are P.G. holders where as it is only 3.7% in case of rural areas.

CONCLUSION:

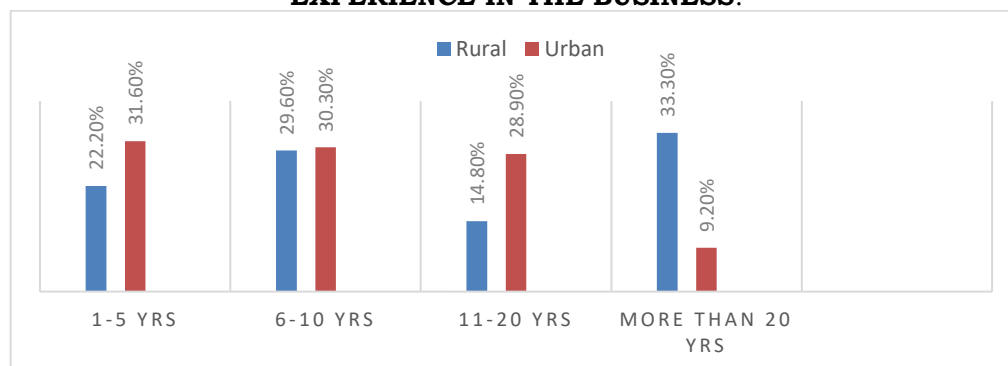
There is no significant difference between the units located in rural and urban areas with regard to qualification of the respondents as $p = .668$.

TABLE - 2
TABLE SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO EXPERIENCE IN THE BUSINESS.

Experience in Business	Location		Total
	Rural	Urban	
1 to 5 Years	6 22.2%	24 31.6%	30 29.1%
6 to 10 Years	8 29.6%	23 30.3%	31 30.1%
11 to 20 Years	4 14.8%	22 28.9%	26 25.2%
More than 20 Years	9 33.3%	7 9.2%	16 15.5%
Total	27 100%	76 100%	103 100%

	X2 value=	df	p	
Chi-Square Test	9.641	3	.022	Sig

GRAPH: 2
GRAPH SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO EXPERIENCE IN THE BUSINESS.



RURAL & URBAN COMPARISON:

- 31.6 % of the respondents located in urban area have 1-5 yrs. of experience as against 22.2% in case of respondents located in rural areas.
- 30.3% of the respondents located in urban area have 6-10 years of experience when compared to 29.6% in case of respondents located in rural areas.
- 28.9% of the respondents located in urban areas possess 11-20 yrs. of experience where as 14.8% of the respondents located in rural areas have 11-20 years of experience in the business.
- 9.2 % of the respondents located in urban areas have more than 20 yrs. of experience where as 33.3% of the respondents located in rural areas possess more than 20 years of experience in the business.

CONCLUSION:

There is significant difference between rural and urban with respect to experience in the business as $p = 0.022$ which is less than 0.05.

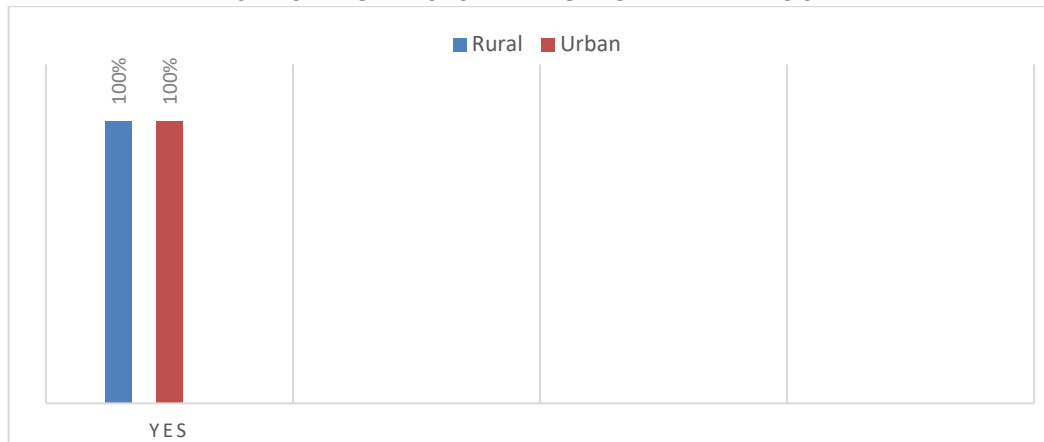
TABLE-3

TABLE SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO REGISTRATION OF THE INDUSTRY.

Registration of the Industry	Location		Total
	Rural	Urban	
Yes	27 100%	76 100%	103 100%
Total	27 100%	76 100%	103 100%

GRAPH: 3

GRAPH SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS THE TYPE OF INDUSTRY WITH RESPECT TO REGISTRATION OF THE INDUSTRY



LOCATION WISE COMPARISON

All the respondents under study located in rural area i.e., 27 units and urban area i.e., 76 units have registered their industry.

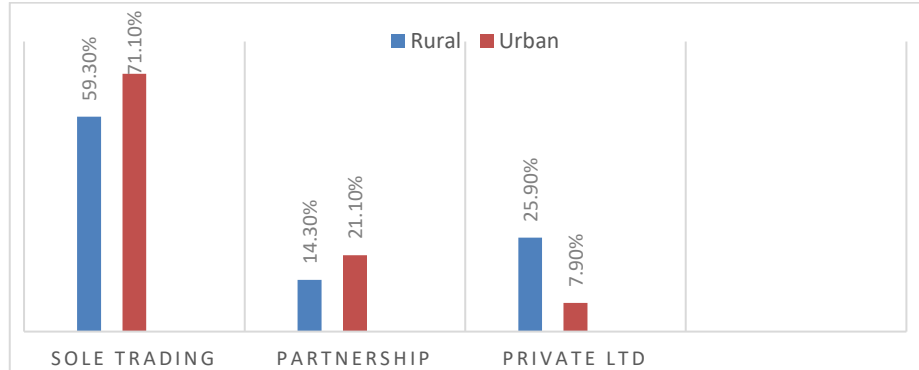
TABLE-4

TABLE SHOWING DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO CONSTITUTION

Constitution	Location		Total
	Rural	Urban	
Sole Trading Concern	16 59.3%	54 71.1%	70 68%
Partnership Firm	4 14.3%	16 21.1%	20 19.4%
Pvt. Ltd.	7 25.9%	6 7.9%	13 12.6%
Total	27 100%	76 100%	103 100%

	X2 value=	df	p	
Chi-Square Test	6.16	2	.046	Sig

GRAPH: 4 : GRAPH SHOWING DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO CONSTITUTION



RURAL & URBAN COMPARISON

- Majority of the units i.e., 71.1% of the units under study located in urban areas are Sole Trading concerns when compared to 59.3% in case of units located in rural areas.
- 21.1% of the units located in urban areas are partnership firms when compared to 14.8% in case of units located in rural areas.
- 7.9% of the units under study located in urban areas are Private concerns when compared to 25.9% in case of units located in rural areas.

CONCLUSION

There is significant difference between units located in rural and urban areas with respect to constitution as $p = 0.046$ which is less than 0.05.

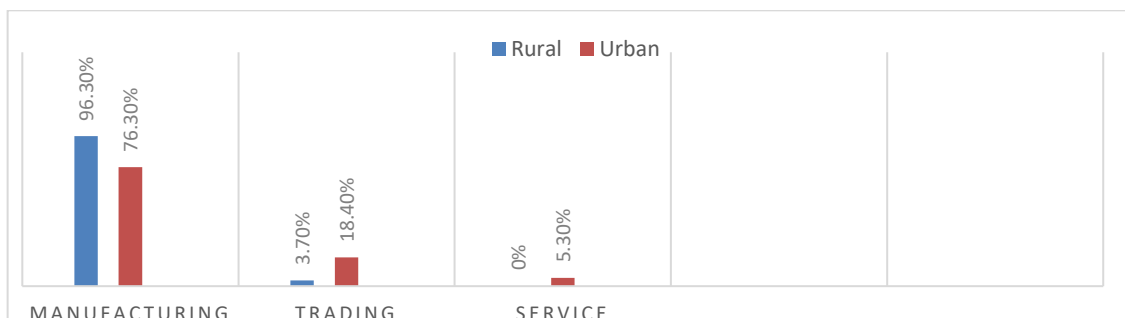
TABLE: 5 : TABLE SHOWING DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH REGARD TO THE NATURE OF BUSINESS.

Nature of Business	Location		Total
	Rural	Urban	
Manufacturing	26 (96.3%)	58 (76.3%)	84 (81.6%)
Trading	1 (3.7%)	14 (18.4%)	15 (14.6%)
Service	0 (0%)	4 (5.3%)	4 (3.9%)
Total	27 (100%)	76 (100%)	103 (100%)

	p	
Fisher's Exact Test	.067	NS

GRAPH: 5

GRAPH SHOWING DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH REGARD TO THE NATURE OF BUSINESS.



LOCATION WISE COMPARISON

- 76.3% of the units located in urban areas are concerned with manufacturing activity as against 96.3% in case of units located in rural areas.
- 18.4% of the units located in urban areas are concerned with trading activities when compared to 3.7% in case of units located in rural areas.
- 5.3% of the units located in urban areas are service oriented as against 0% in case of units located in rural areas.

CONCLUSION

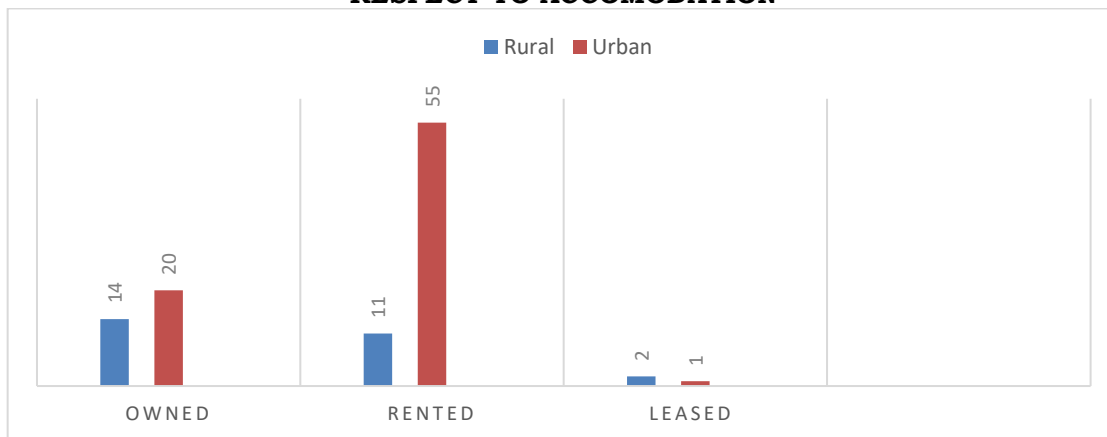
There is no significant difference between rural and urban areas with regard to the nature of business as $p = .067$

TABLE: 6 : TABLE SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO ACCOMMODATION

Accommodation	Location		Total
	Rural	Urban	
Owned	14 51.9%	20 26.3%	34 33%
Rented	11 40.7%	55 72.4%	66 64.1%
Leased	2 7.4%	1 1.3%	3 2.9%
Total	27 100%	76 100%	103 100%

	p	
Fisher's Exact Test	.004	HS

GRAPH: 6 : GRAPH SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO ACCOMMODATION



RURAL AND URBAN COMPARISON.

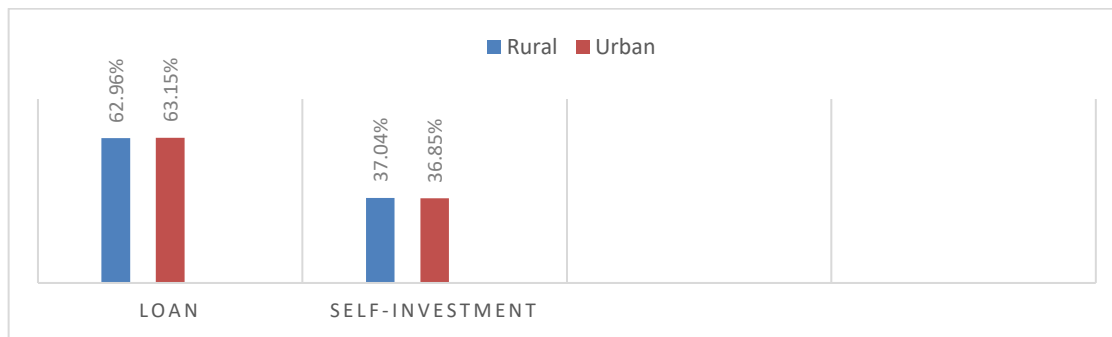
- 72.4% of the units located in urban areas are rented as against 40.7 % in case of units located in rural areas.
- 26.3% of the units located in urban areas are owned as against 51.9% in case of units located in rural areas.
- 1.3% of the units located in urban areas are leased as against 7.4% in case of units located in rural areas.

CONCLUSION: There is a highly significant difference between the units located in rural and urban area with respect to accommodation whether it is owned, rented or leased as $p = 0.004$ which is less than 0.05.

TABLE: 7
TABLE SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO THE INVESTMENT IN THE BUSINESS.

Investment in the Business	Location				Total (n=103)	
	Rural(n = 27)		Urban(n=76)			
	Freq	%	Freq	%	Freq	%
Loan	17	62.96	48	63.15	65	63.1
Self-investment	10	37.04	28	36.85	38	36.9
TOTAL	27	100	76	100	103	100

GRAPH: 7
GRAPH SHOWING THE DISTRIBUTION OF RESPONDENTS ACROSS LOCATION WITH RESPECT TO THE INVESTMENT IN THE BUSINESS.



LOCATION WISE COMPARISON

- 63.15% of the units located in urban area have raised loans for the investment in the business as compared to 62.96% in case of units located in rural areas.
- 36.85% of the units located in urban areas have invested in the business through their own savings as against 37.04% in case of units located in rural areas.

FINANCIAL & NON-FINANCIAL PROBLEMS FACED BY SMALL SCALE UNITS

Small scale industries play a vital role in the economic development of our country. This sector can stimulate economic activity and is entrusted with the responsibility of realizing various objectives like generation of more employment opportunities with less investment, reducing regional imbalances etc. Small-scale units are not in a position to play their role effectively due to various constraints. The various financial and non-financial problems faced by small scale units under study are as follows:

The scarcity of capital and inadequate availability of credit facilities are the major causes for financial problem faced by small scale units. Firstly, adequate funds are not available and secondly, entrepreneurs due to weak economic base, have lower credit worthiness. Neither they are having their own resources nor are others prepared to lend loan for them. Thus, entrepreneurs are sometimes forced to borrow money from money lenders at exorbitant rate of interest and this upsets all their calculations. Though many banks and financial institutions have started financing small scale units, the entrepreneurs are still struggling to avail loans from such financial institutions. Apart from financial problems, the units under study are facing numerous non-financial problems like non availability laborers, non-availability of raw materials at regular basis, poor-quality of raw materials, lack of resources to update their technology, failure to obtain firsthand information about the market, competition, taste of consumers. Lab our related problems like high labor turnover, absenteeism, has resulted in lower productivity, deterioration of quality, increase in wastages and finally adversely affecting the profitability of these small-scale units due to rise in other overhead costs

TABLE SHOWING FINANCIAL PROBLEMS FACED BY SALL SCALE UNITS UNDER STUDY

SL.NO.	TYPE OF FINANCIAL PROBLEM FACED BY SMALL SCALE UNITS	NO OF SMALL-SCALE UNITS FACING THE FINANCIAL PROBLEM
1	No adequate funds	12
2	Problem of raising loans	21
3	Problem of collection of money from the customers	02

TABLE SHOWING NON-FINANCIAL PROBLEMS FACED BY SALL SCALE UNITS UNDER STUDY

SL. NO.	TYPE OF NON-FINANCIAL PROBLEMS FACED BY INDUSTRIALISTS UNDER STUDY	NO OF INDUSTRIALISTS FACING NON-FINANCIAL PROBLEMS
1	Labour	83
2	Marketing Constraints	06
3	Competition	20
4	Poor production	02
5	Power	02
6	Raw materials	09
7	Location	07
8	Infrastructural	01
9	Technology	02
10	Space	01
11	Not good people	01
12	Wastage.	01

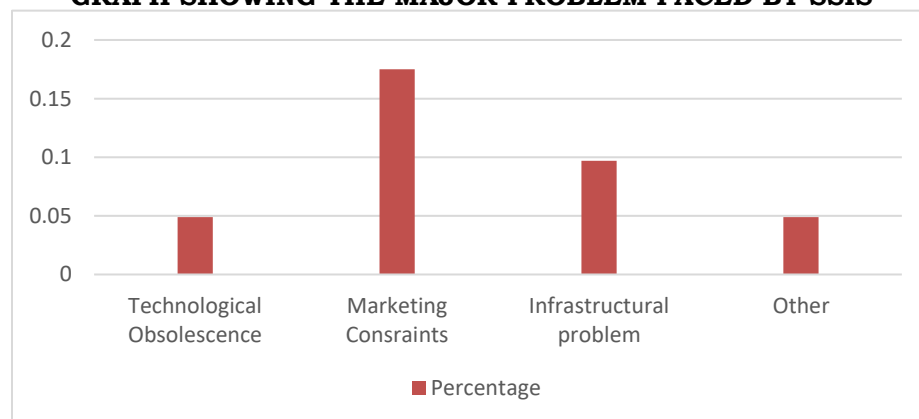
RESEARCH HYPOTHESIS

1. **H₀: Marketing is not the major problem faced by the small-scale industrial units.**

H₁: Marketing is the major problem faced by the small-scale industrial units.

Major problem faced by SSIs	Rural	
	Freq	%
Technological obsolescence	05	4.9
Marketing constraints	18	17.5
Infrastructural problem	10	9.7
Other	05	4.9

GRAPH SHOWING THE MAJOR PROBLEM FACED BY SSIS



Marketing constraints (17.5%) is significantly higher compared to other problems. H₀ is rejected.

Analysis

4.9% of the small-scale units consider Technological obsolescence as the major problem faced by them, 17.5% of the respondents say that Marketing is the major constraints, 9.7% of the respondents say that they face Infrastructural problem and remaining 4.9% of the respondents say that they are facing other problems like poor management, production process etc.,

Inference: From the above analysis it is clear that Marketing is the major problem faced by the small scale units and thus H_0 is rejected as $p = .008$ which is less than .05

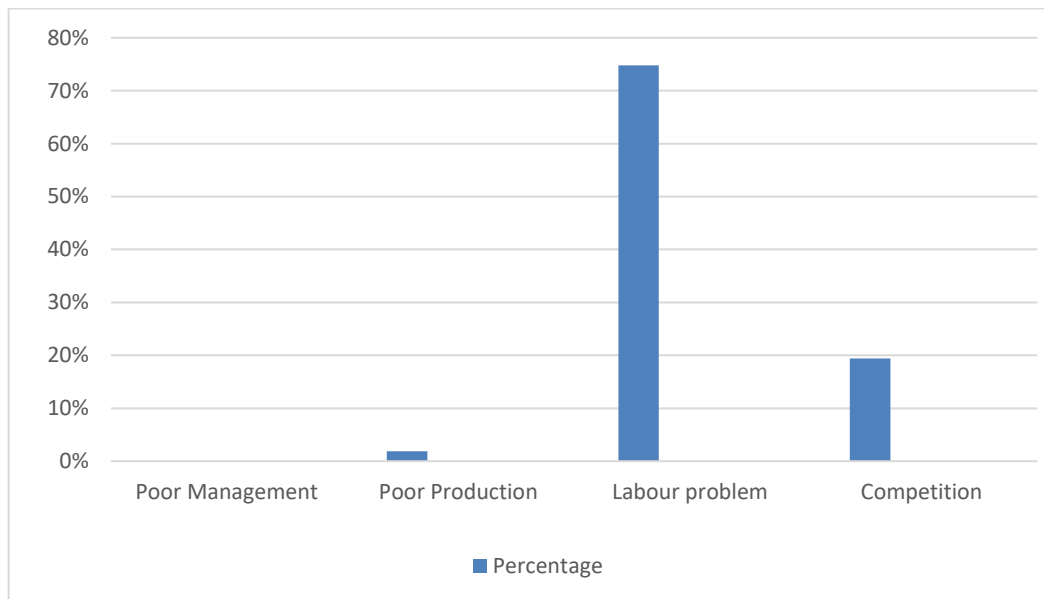
2. H_0 : Labour is not the internal problem faced by the industries.

H_1 : labour is the internal problem faced by the industries.

Internal problem faced by SSIs	Total (n = 103)	
	Freq	%
Poor management	0	0
Poor production	2	1.9
Labour problem	77	74.8
Competition	20	19.4

	X2 value =	df	P	
Chi-Square test	92.909	2	.000	HS

GRAPH SHOWING THE INTERNAL PROBLEM FACED BY SSIs



H_0 is rejected

Analysis:

1.9% of the units consider poor production as the major internal problem faced by them, 74.8% of the respondents consider labour problem as the major internal problem faced by them and remaining 19.4% of the respondents say that competition is the major problem.

Inference: From the above analysis it can be concluded that Labour problem is the major problem faced by majority of the respondents and thus, H_0 is rejected as $p = .000$ which is less than .05.

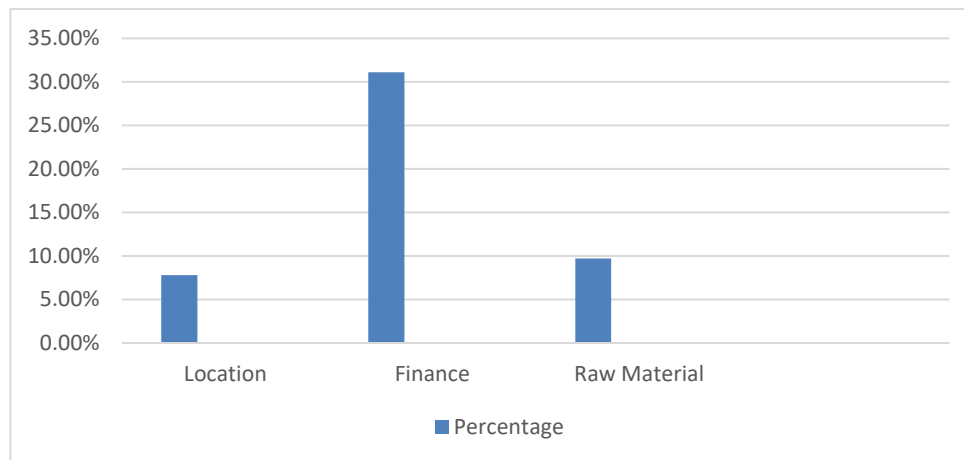
3. H_0 : Finance is not the external problem faced by the industries.

H_1 : Finance is the external problem faced by the industries

External problem faced by SSIs	Total (n = 103)	
	Freq	%
Location	08	7.8
Financial	32	31.1
Raw material	10	9.7

	X2 value =	df	P	
Chi-Square test	21.280	2	.000	HS

GRAPH SHOWING THE EXTERNAL PROBLEM FACED BY SSIs



H_1 accepted

Analysis

7.8% of the respondents consider location is the external problems faced by them, 31.1% of the respondents say that financial problem is the external problem faced by them and remaining 9.7% of the respondents consider raw material as one of the external problems faced by them.

Inference:

From the above analysis it is clear that Finance is the external problem faced by majority of the respondents and thus H_0 is rejected as $p = .000$ which is less than .05.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL PROBLEMS FACED BY SMALL SCALE INDUSTRIES

Government should reintroduce the small business credit scheme so that beneficiaries can use them to run their enterprises. Few entrepreneurs are also facing the problem of collecting money from their customers. There should be introduction of soft loans for small business by the Government and other financial institutions. Training should be provided to the entrepreneurs to increase their managerial efficiency by acquiring necessary skill to run an enterprise. A number of institutions have been introduced at State and National level catering to the varied needs of small-scale units. Such institutions promoting small scale units must be introduced to small entrepreneurs. Majority of the industrialists under study are facing labour problem. Marketing, Location and non-availability of raw materials are some of the other non-financial problems faced by most of the industrialists.

CONCLUSION

Financial Assistance to Small and Medium Scale Enterprises also play a vital role because Small and Medium Scale Enterprises have been considered as the engine of Economic growth. Financial institutions encourage the new entrepreneurs by providing them the loans and helping their dreams to be alive and come true. Karnataka State Financial Corporation has promoted many enterprises and helped newly emerging entrepreneurs to develop their plan towards their objectives and implement it, which also helps in economic growth of the country and it also provides employment opportunities to many people. KSFC also give suggestions to the enterprises which have taken financial assistance from KSFC at the initial stage and it also provides working capital loan to the enterprises. It has a good recovery policy which ensures that the assets will not slip in to Non-Performing Assets (NPAs).

The Comprehensive Policy Package announced by the Prime Minister may be able to improve the situation with regard to the availability of credit and infrastructure and in technology up gradation. The role of the Government will also undergo changes from one of the protector to facilitator. In fact, during the last ten years i.e., after the introduction of economic reforms, one can discern a change in the role of the Government. In the developing countries, where the infrastructural facilities for development are inadequate and entrepreneurial activities are limited, the promotional role of the Government assumes the special significance. The State will have to assume direct responsibility to build up and strengthen the necessary developmental guidance on promoting technologies through Tool Rooms, Process Cum Product Development Centers, Testing Centers etc., The role of the Government in ensuring a level playing field to SSIs will continue and hence fiscal, monetary and other incentives will continue. The present study is an attempt in that direction with the main purpose to study the financial requirements and sources from which the finances are mobilized by small scale units, locate the problems and practices prevalent in these industries.

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