

Vol 5 Issue 3 April 2015

ISSN No : 2230-7850

International Multidisciplinary
Research Journal

*Indian Streams
Research Journal*

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RNI MAHMUL/2011/38595

ISSN No.2230-7850

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

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SMALL – SCALE INDUSTRIES IN RAICHUR CITY: A
DIAGNOSTIC APPROACH



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Short Profile

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ABSTRACT:

The Raichur area is one of the thirty Districts of the State of Karnataka. This region is arranged in north part of the Karnataka State. Bellary locale on south, Bijapur and Dharwar on the west and Kurnool on east (Kurnool goes under Andhra Pradesh). Raichur locale lies between 15.10' d 16.50' north scope and 75.20' and 77.40' east longitude and in the middle of two streams viz, Krishna and 'Tungabhadra. The region possesses 7.31 rate Of topographical are of the state. Raichur is one of the mechanical in reverse areas in Karnataka. The

woods zone of this region account 18,167 hectors and shapes 2.17 percent of aggregate topographical zone of the region. The two waterways Krishna and Tungabhadra, which thow the on the northern and southern limits of the enlarged. Precipitation in less in the locale Typical precipitation is 621 mm, yet it is not uniform over the whole region.

INTRODUCTION:

Today, Raichur is one of the main areas in delivering and supply power to the state. Close around 40 percent of the state power the region fulfills request just. In Shaktinagar, the Thermal Power Plant has begun six units for producing power 210 m.w. each. Amid 2000-01 1050 m.w. of power has created in the Shaktinagar Thermal Plant. The proposition for seventh unit is before the administration. In the event that the administration acknowledged the proposition and finished the seventh unit, probably it will create 1,470 m.w. power from this Thermal Plant. Today every single town has the power in this

region. Era of extra power from RTPS has expected criticalness of Raichur Industrial Growth Center is coming up. It is closest to the Thermal Plant.

The hierarchical example of the chose units demonstrates that of the 50 units organization firms (26) were the greatest took after by sole propertiorship (24). It is intriguing to note that there were no organizations under alternate types of association viz, Joint family concerns, private restricted organization, open constrained organization or center society. Dominating of sole restrictive concerns or association firms normally constrains the budgetary assets contrasted with Joint stock organizations. To some extent an earlies study demonstrates that the development of organization type of association in north Karnataka district is moderate and stopping.

Problems of finances of SSI units:

Production units and capital investment in plant and machinery it is revealing to note that the capital investment in plant and machinery in the 50 selected units is moderate. The details are provided in the following table.

Table No. 1.0
SSI units and their capital Investment in Plant and Machinery

Type of Industry	No. of Units	Amount of Investment (Rs. in Lakhs)
Engineering	25	241
Plastics	10	61
Food based	10	106
Chemical	5	13
Total	50	421

(Survey Data)

It is clear from the above table that the normal interest in plant and apparatus ranges between Rs. 10 lakhs in sustenance based businesses and Rs. 2.5 strips in chemicals. The normal interest in 25 building unit is somewhat lower than Rs. 10 lakhs while it is somewhat above Rs. 6 lakhs in plastics. The littler size of venture normally restricts their generation limit as well.

It is further accumulated from the respondent units that the securing of the plant and hardware was encouraged to a great extent by out and out buy in the event of 26 SSI units while 16 units employed the apparatus and 6 units acquired them on lease premise.

A. FINANCIAL SOURCES OF SSI UNITS

A majority of 24 SSI units covered by the study obtained loans from Banks while Karnataka State Financial Corporation provided loans to 20 units. A small number of 6 units used their own funds for acquiring their plant and machinery.

Problems encountered by the SSI units were proved and the responses of the respondents are indicated in the following table.

Table No.1.1
Problems in obtaining Finances

Types of Problems	No. of Units
High Interest Rates	36
Inconvenient No. of Installments	04
Rigid Repayment conditions	17
In-adequate Amount of loan	21
Total	78

(Survey Data)

The SSI units have recommended more than one issue in acquiring accounts. Thus the aggregate number of units surpassed the real number of 50 units chose for study

It is clear that a most extreme number of 36 units designated 'High Investment Rates' as a noteworthy issue took after by 21 units recommending 'Lacking measure of advance', 17 units showing Rigid Repayment conditions and at least 4 units saying the issue of 'Awkward No of portions. The reactions unmistakably infer the requirement for bringing down of loan costs and improving of the span of the advance adds up to the SSJ unit by the banks and other financing offices.

LOAN SUBSIDIES AND FINANCIAL INCENTIVES

The Government has been giving credit endowments to SSI units and qualified business visionaries. The study tested different parts of the sponsorship to SSI units and the reactions gathered are extremely uncovering. It is shaped that 43 of the 50 SSI respondents knew about the endowment plans while just 7 respondents communicated lack of awareness about the plan of sponsorship. Further it was found that 43 SSI units acquired the office.

Information regarding the amount of subsidy obtained on the loans by the SSI units is indicated in the following table

Table No.2.1
Amount of Subsidy on Loans

Percentage	No. of Units
5 to 9 pc	-
10 to 14 pc	-
15 to 19 pc	32
Above 20 pc	18
Total	50

(Survey Data)

It is clear that from the above table that a most extreme number of 32 SSI units acquired endowment on their advances. The sponsorship ran between 15 percent and 19 percent while the other 18 units could get appropriation at more than 20 percent. The advance endowment is a money related motivation for the little mechanical business visionaries. The Government point is to empower independent work of taught youth through such plans.

The credit sponsorship is given by District Industries Center to a most extreme of 32 SSI units while KSFC gave to 11 SSI units secured by the present study.

A. WORKING CAPITAL FOR SSI UNITS

Each firm needs working capital for leading the everyday operations. It alludes to that a portion of aggregate capital which is utilized for completing the normal and consistent business. Numerous SSI units don't legitimately deal with their working capital prerequisites. Thus they think that its hard to adapt up to circumstances calling for expanded working capital needs. This part of fund of SSI units was considered covering the chose 50 SSI units.

It was found that the respondents representing the 50 selected 551 units did not experience shortage of working capital. The different sources of their working capital has been indicated in the following table

Table No 2.2
Sources of Working Capital

Source	No. of Units
Own capital	7
Banks	32
Finance Cos-KSFC	26
Total	65

(Survey Data)

The respondents have obtained working capital from more than one source. Hence the number of units (65) exceeded the actual number of 50 units selected for the study.

It is clear from the above table that a maximum number of 32 SSI units have obtained working capital funds from banks 26 units from KSFC and 7 units have used their own funds to meet their working capital requirements. Thus working capital for the SSI units.

Table No 2.3
Availing of Working Capital from Different Source

Source	P.C	No. of Units
Banks	48	24
Fin Cos	40	20
Own funds	12	6
Total		50

(Survey Data)

The above table reveals that 24 351 units obtained 48 percent of their working capital requirements from banks; 20 units obtained 40 percent from finance companies while 6 units met 12 percent of their working capital requirements from their own funds. It is clear that SSI units covered by the study do not finance their entire working capital needs from a single source.

Table No. 2.4
Problems of Obtaining Working Capital

Source	No. of Units
High Interest Rate	41
Stringent Credit Policies of Banks	48
Inconvenient Repayment conditions	19
Total	108

(Survey Data)

It is clear from the above table that 'stringent credit policies of bank (48) is suggested as the major problem in obtaining working capital by the respondents

SSI units followed by 'high interest rate' (41) and 'inconvenient repayment conditions' (19). It is necessary that banking and financial institutions should modify their policies to make it convenient for the SSI units to obtain adequate working capital at reasonable cost.

1. Raw materials and production:

It is found through personal interview that 49 respondents felt that there was adequate availability of raw materials while only one respondent felt that adequate raw materials were not available.

Procuring of raw materials has been done locally by 38 SSI units while 31 units procured raw materials from outside the city and another 20 units procured raw materials from outside the state. The following table gives the details.

Table No. 3.1
Source of Raw Materials

Source	No. of Units
Locality	38
Outside the city	31
Outside the State	20
Total	89

(Survey Data)

(Respondents have demonstrated more than one wellspring of crude materials. Thus the aggregate no of units (89) is more than the genuine number (50) of SSI units secured by the study)

The SSI division is given help with obtaining crude materials by the Government offices. This has been authenticated by 16 of the 50 SSI respondent units while 34 of them don't adjust to the perspective. The 16 SSI units asserting government organizations help in acquiring crude material said KSFC help in this association.

Evaluating is a vital choice making process. Firms ought to take after a discerning evaluating approach without which they are prone to free their deals and the piece of the pie. The present business sector is exceedingly aggressive. Numerous variables get the component of rivalry and among them value rivalry is extremely unequivocal in the business execution of contending firms.

In taking after a normal value arrangement firms must keep up great record of cost information. The respondents absolutely asserted that they did keep up cost information.

A. PRICING OF SSI PRODUCTS

The following table gives details of the pricing methods followed by the respondent SSI units

Table No.3.2
Pricing Methods

Source	No. of Units
Based on cost plus profit	41
Following competitor's price	37
Price Agreement with buyers	02
Pricing based on demand and supply	04
Adhoc pricing	--
Total	84

(Survey Data)

(The aggregate numbers of reactions are more than the quantity of units secured since units have settled on more than one strategy for estimating)

It is clear from the above table that expansive number of units (41) takes after costs in light of expense in addition to benefit 37 units take after the contender's costs. A little number of 4 units settled their costs on the premise of supply and requests the premise of concurrence with purchasers.

2. MARKETING PROBLEMS OF S.S.I UNITS:

Buyers of SSI units covered by the study are private industries according to 24 units while 19, government units sell to government agencies and 11 units sell to wholesale merchants. A small number of retailers are also mentioned by 3 units as buyers of their products. The details are indicated in the following table.

Table No.4.1
Buyers of S.S.I Products

Buyers	No. of Units
Government Agencies	19
Private Industries	24
Whole Sellers	11
Retailers	3
Exporters	--
Total	57

(Survey Data)

(The respondent units sell to more than one type of buyers. Hence the number of units (57) is more than the actual number of units (50) covered by the study)

A. LOCATION OF BUYERS

It is noticed that 29 SSI units offer their items to neighborhood purchasers took after by 23 units offering outside the city and 13 units offering outside the State. Here too the SSI units offer to more than one sorts of purchaser situated in better places. Subsequently the aggregate number of units surpasses the real number of respondents.

B. CREDIT SALES BY SSJ UNITS

SSI units sell their products on credit terms as indicated by a majority of respondents (39) while a small number (11) of them do not prefer credit sales.

Credit sales are made by the SSI units due to more than one reason. The following table provides

the details.

Table No. 4.2
Reasons for Credit Sales

Reasons	No. of Units
As matter of Policy of the unit	18
Governments rules	15
Buyers requirements	02
Promote Production and Sales	07
Total	39

(Survey Data)

The above table reveals that SSI units have been following a policy of credit sales as asserted by 18 units followed by 12 units resorting. to credit sales to comply with government's purchase rules. In case of 2 respondents credit sales are made to meet the requirements of buyers while 7 units sell on credit basis to promote sales and production.

C. MARKETING AND COMPETITION

Severe competition from other SSI units in selling their products is experienced by 32 units while competition is faced from big units in case of 9 SSI units. The other 9 SSI units did not face such competition in selling their products.

The areas of competition faced by the respondent SSI units are mentioned in the following table

Table No. 4.3
Areas of Competition to SSI units

Areas	No. of Units
Price Competition	46
Quality Competition	--
Advertisement Competition	17
Competition through Credit Sales	03
Total	66

(Survey Data)

(The number of responses (66) is more than the actual number of units (50) since respondents have mentioned more than one area of competition)

It is clear that maximum number of 46 respondent units have indicated 'price competition' as the major area followed by 17 units who have mentioned competitors advertisements as an area of competition while 3 respondent units have mentioned credit sales by competing units as one of the areas of competition.

D. MARKETING PROBLEMS OF SSI UNITS

All the 50 SSI units maintained that there is adequate market for their products. However all the 50 SSI units have been facing marketing problems of one type or the other.

The marketing problems faced by the SSI units covered by the study are indicated in the following table.

Table No. 4.4
Marketing Problems of SSI units

Problems	No. of Units
Competition	46
Improper Distribution Channels	19
Inadequate Transport Facilities	4
Lack of storage Facilities	--
Ineffective salesmen	10
Total	79

(Survey Data)

It is clear from the above table that a maximum number of 44 respondents have mentioned 'competition' from other units is a major marketing problem. Improper distribution channels as a marketing problem has been mentioned by 19 respondents while 10 respondents have mentioned the ineffective salesmanship as a marketing problem. A small number of 4 respondents have mentioned inadequate transport facilities as one of the marketing problems.

5. TRANSPORT FACILITIES AND PROBLEMS OF SSI UNITS:

Transport is the most important infrastructure for the industrial activity. The whole system of production and distribution gets distorted in the absence of adequate and efficient transport facilities. The study has made attempts to identify the transport facilities and problems of the 50 SSI units covered by the study.

The respondent SSI units have been using different type of transport facilities as indicated in the following table.

Table No. 5.1
Transport Facilities of SSI Units

Vehicles Used	No. of Units
Lorry	3
Truck	2
Tractors	--
Tempo	43
Others	2
Total	50

(Survey Data)

It is clear that the largest number of 43 units use tempo vehicles for their operations followed by 3 units using Lorry, 2 units each use train and other means of transport respectively.

It is significant to note that only 9 of the 50 units covered by the study have their own vehicles while 41 of them use hired vehicles. Of the 9 units having their own vehicles 2 units owned Lorries and 7 units owned tempos.

Transport difficulty has not been experienced by a maximum number of 46 SSI units covered by the study while only 4 units mentioned, transport difficulty of 'late delivery' of goods. These 4 units did assert that there was a loss of sales of 6 to 10 percent due to the transport difficulty experienced by them.

6. POWER SUPPLY AND THE SSI UNITS:

The SSI units principally rely on upon Karnataka Electricity Board for their energy necessities.

However 9 of the units have their own particular diesel generators notwithstanding the supply from KEB. The position with respect to the general supply of force is declared by just 9 SSI units while the other 41 units don't subscribe to the perspective that there is normal supply of force. It is proposed by 41 SSI units that lack of force is experienced by them to a tune of 10 percent of their necessities. Further they additionally put the 'generation misfortune's because of lack of influence of 10 percent.

7. LABOUR PROBLEMS IN SSI UNITS:

There are an aggregate number of 105 talented. Laborers in the 50 SSI units secured by the study. While the quantity of incompetent specialists is 213. Notwithstanding these there are 69 actually qualified and 161 non specialized representatives.

A. RECRUITMENT OF WORKERS

The SSI units covered by the study recruit workers mainly on the basis of their personal contacts Very few of them recruit through advertisement and still fewer units recruit through training institutes. The following table provides the details about the recruitment of workers by the 50 SSI units covered by the study.

**Table No 7.1
Recruitment of workers by the SSI Units**

Recruitment Through	No. of Units
Advertisement	5
Personal contact	42
Training Institute	3
Total	50

(Survey Data)

The training of workers by the SSI units is done by only 6 of the 50 units covered by the study while 44 of them do not provide any formal training.

Labour incentives in the SSI units have been provided in the form of bonus by only 5 units while 45 SSI units do not provide any incentives.

It is found that the incidence of labour turnover is high in these SSI units as asserted by 49 of the 50 SSI units covered by the study while only one unit did not subscribe to the majority opinion. The reasons for frequency of labour turnover are indicated in the following table.

**Table No. 7.2
Reasons for Labour Turnover**

Reasons	No. of Units
Better Salary Elsewhere	47
Lack of Job Satisfaction	16
For Better Incentives elsewhere	06
Total	69

(Survey Data)

(The number of respondents have responses are more (69) than the actual number (50) as the given more than one reason for labour turnover.)

It is clear from the above table that a maximum number of 47 units have advanced 'better salary elsewhere' as the reason for labour turnover while 'Lack of job satisfaction' is attributable as the reason for labour turn over by 16 respondent units. A small number of 6 SSI units mentioned 'better incentives

elsewhere' as the reason as on for labour turnover. It is clear from the responses that salary payment is not satisfactory in the large number of SSI units.

It is significant to note that employees of the 50 SSI units have not affiliated to labour unions. It is equally significant to note that labour strikes have not taken place in there SSI units.

B. MANAGEMENT OF THE SSI UNITS

The educational status and age composition of the management personnel of the 50 SSI units reveal some interesting facts. The following table provides the details.

Table No. 7.3
Educational Status of Management Personnel

Education	No. of Units
SSLC	7
PUC	4
Degree	14
Diploma	13
P.G. Degree	11
Ph.D	1
Total	50

(Survey Data)

It is clear that maximum numbers of 14 units are managed by degree holders followed by 13 units managed by diploma holders, 11 units with P.G. degree holders 7 units with SSLC holders 4 units with PUC holders, 1 unit with a PhD degree holder.

The age composition of the management personnel is shown in the following table

Table No. 7.4
Age Composition of Management Personnel

Age	No. of Units
20 to 25 years	9
26 to 40 years	29
Above 40 years	12
Total	50

(Survey Data)

There are a maximum of 29 SSI units with their management personnel in the age group of 26 to 40 years followed by 12 units with their management personnel in the age group of above 40 years and 9 units with their management personnel in the age group of 20 to 25 years.

C. BUSINESS EXPERIENCE OF MANAGEMENT PERSONNEL

Experience in business is an advantage in managing the firms with a better level of efficiency. The following table provides the details about the 50 SSI units in this direction

Table No.4.19
Business Experience

Years	No. of Units
Upto 5 years	18
5 to 10 years	23
More than 10 years	9
Total	50

(Survey Data)

The maximum numbers of 23 units have their management personnel with business experience of 5 to 10 years followed by 18 SSI units with their management personnel having business experience of upto 5 years while only 9 units had their management personnel with business experience more than 10 years.

Further it was gathered that 4 of the 50 SSI units had their management personnel having undergone training in management.

CONCLUSION:

It is further accumulated from the respondent units that the securing of the plant and hardware was encouraged to a great extent by out and out buy in the event of 26 SSI units while 16 units employed the apparatus and 6 units acquired them on lease premise.

It is clear from the above table that a maximum number of 32 SSI units have obtained working capital funds from banks 26 units from KSFC and 7 units have used their own funds to meet their working capital requirements.

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