

A Study of Small Industries Development Area in Raichur City of Karnataka State

Dr. Baasavaraj M

Assistant professor

Department of Economics Studies and Planning

Central university of Karnataka

email-bmkcuk@gmail.com

Abstract

The present paper investigates the development of the small scale industries in Raichur city. The study is based on secondary data sources. The study analyses nature of industries in the area and assistance by promotional agencies especially Karnataka state Finance Corporation, and projects cleared by single window agencies in promoting small industrialisation and subsidies sickness of small industries in the area.

Key words – Small Scale industries, Karnataka Region, Karnataka state Finance Corporation, single window agencies

INTRODUCTION

“The positive economic strategy in India, as a part of mixed economy paradigm accorded a vital role for the small industry being assiduously fostered by public policy. The triple strategy of state-funded infrastructure complexes in the form of industrial estates, excise duty exemptions and reservation of products for exclusive manufacture by the small scale industrial (SSI) units was itself based on the perceived national benefits flowing from the SSI sector. The Government of India followed a consistent policy of promoting SSI units with some important economic objectives. “The economic objective of disposing and decentralizing industrial activities in the country as a method of pre-empting or at any rate checkmating concentrative and monopolistic patterns of industrial ownership and production

and of stimulating employment opportunities in areas beyond traditional industrial agglomerations was unquestionably a sagacious approach”

All is not well with the SSI sector. Practically one out of every six units is either sick or unhealthy. The problems of SSI units are expected to become more intense because of the competitive challenge which may be posed by large industry as a consequence of the economic reforms. However, the exaggerated apprehensions that the new wave of delicensing of industry would spell the doom of small industry have been largely disproved during the last few years. This agreement does not fully convince the small entrepreneurs who have been experiencing varied problems covering inadequacy of public policy in the matter of supporting these units with appropriate technical, financial and infrastructural means, chronic shortage of power, raw material constraints, working capital hassle owing to inconsistent bank lending and the perennial blight of the Inspector Raj.

Management failures have been the major problem of SSI units “A striking difference between units that have been successful and those that have not relates to management. While many small entrepreneurs are technically sound, their great’s bugbear has always been marketing. Though they devote sufficient attend on to problems of production the marketing front remains neglected”. A nagging problem for the small units is the absence of timely payments by the bigger industry.

Background

Raichur district lies between 15-10 and 16-50 north latitude and 75.20 and 77.40 east longitude and in between two rivers viz., the Krishna and Tungabharda. The general scope of the district is from North West towards south east, its average height above the main sea level being just 131 ft. The district in general has a dry climate for the major part of the year and a very hot summer temperature in the months of April-May reaches up to 42° C. The predominant soils of Raichur District are black cotton and red soil. Some part of the district is a barren and uncultivable land. There is no thick forest in the district. The western part of the district is a plain and very little of vegetation and few hillocks are found here and there. The plains of western position contain good black alluvial soil, the two important rivers in the

district are the Krishna and Tungabhadra, which flows the entire northern and southern boundaries of the district of the district. It enters Raichur district to the north of Uppinhal in Lingasugur taluk and flows for a distance of about 104 miles in the district. The river Krishna is to north of Kadlur in Raichur taluk. About 15 major and 21 minor streams and Nalas flow into the river. The river Tungabhadra is also a perennial river, very deep in certain places. The river enters the district near Kasalapur village of the south, western top of Koppal. The Tungabhadra a large number of rivulets and soon serving as tributaries. The river flows for a distance of 130 miles along district touching the talukas of Sindhanur, Manvi and Raichur and leaves the district to the southeast of Talamari village in Raichur taluk

The economy of Raichur District is predominantly, agriculture base with majority of the soil being fertile and suitable for cultivation of wide variety of crops. The total geographical area is 8.35.843 hectares, out of it cultivable land is 5,67,975 hectares. Agriculture contribution is roughly about 55% of district income. The district is one of the industrial backward districts in Karnataka. Industrial development is very slow in the district due to lack of entrepreneurship quality among the people and non-existence of large industries under public as well as private sector in the district is also one of the reason for industrial backwardness of the district. Lack of capital and technical knowhow are also another reasons for industrial backwardness of the district. The resources available in the district are of equal importance in identifying the industrial opportunities in the district. As a part of the study of this type, it is essential to analyse of the type of quality and the quantity of resources available and their present level of utilization and the scope for the further exploitation of these resources in the larger interest of the society through setting up of small scale in industries.

Karnataka State Financial Corporation:

Karnataka State Financial Corporation (KSFC) is a state level financial institution extending assistance the industries. KSFC has assisted 276 units during 2000-01 to 2004-05. During the period KSFC has sanctioned Rs.2684 lakhs loan and disbursed an amount of Rs.2347 lakhs. KSFC has assisted 112 units during 2000-01 and about 40 units during next four years. The loan sanctioned during 2000-01 was Rs.630 lakhs and reduced to Rs.463

lakhs during 2004-05. Similarly amount disbursed was reduced from Rs.538 lakhs to Rs.305 lakhs during the period. KSFC has assisted 295 units during 31.04.2000 to 31.01.2006, of which 110 units are food & beverages followed by transportation vehicles – 55 nos. other services 50 units, miscellaneous products 27 units and general engineering 25 units. The details of category wise financial assistance provided by KSFC during 31.4.2000 to 31.1.2006 are given in Table –1.

Table –1
Financial Assistance Extended in Raichur District

Sl. No.	Particulars	Units (Nos.)	Loan sanctioned (in lakhs)	Loan disbursed (in lakhs)
1	Food and Beverages	110	1880.65	1630.72
2	Textile based	4	37.50	28.77
3	Wood and wood based	6	35.06	23.61
5	Printing and Stationery	2	6.00	6.00
6	Rubber and plastic based	4	8.00	8.00
7	Basic metal and metal products	9	57.90	40.45
8	General Engineering / Mechanical products	25	22.55	3.00
9	Transport and equipment	55	206	210.22
10	Job work / repairs / servicing	3	16.20	15.00
11	Other services	50	495.10	404.82
12	Misc. products	27	281.70	280.26
TOTAL		295	3096.66	2650.85

Source: KSFC, Raichur

KSFC has assisted about 19 units during 2005-06 (up to 31.1.2006) involving sanction of loan of Rs.363 lakhs and loan disbursement of Rs.304 lakhs. KSFC has assisted 6 units in Raichur taluk involving sanction of loan of Rs.110 lakhs and disbursement of Rs.95 lakhs. Loan sanctioned in District was highest in Sindhanur taluk (Rs.114.15 lakhs) and lowest in Deodurga taluk (Rs.8 lakhs). The units assisted (6 nos.) by KSFC in Raichur taluk account for 31%, loan sanctioned 30% and loan disbursed 31% to the respective District total. The taluk-wise details of KSFC assistance during 2005-06 are given in Table 2

Table – 2**Taluk wise Financial Assistance by KSFC during 2004-05 to 2008-09**

Sl. No.	Taluk	No. of units	Loan sanctioned (in lakhs)	Loan disbursed (in lakhs)
1	Deodurga	2	8	6
2	Lingsugur	2	32.80	40
3	Manvi	5	98	85
4	Raichur	6	110	95
5	Sindhanur	4	114.15	77.50
	TOTAL	19	362.95	303.50

Source: KSFC**Small Scale Industries**

In Raichur District there are 7,317 tiny and SSI units with a aggregate investment of Rs.15, 622.58 lakhs and employment to 31,185 persons as on 31.1.2011. As per the District Industries Centre the category-wise details of units are given in the table-3

Table – 3**Category-Wise Tiny & SSI Units in Raichur District**

Sl. No.	Particulars	Units (Nos.)	Investment (Rs. lakhs)	Employment (Nos.)
1	Food and Beverages	936	2169.81	3990
2	Textile based	1138	2493.78	4796
3	Wood and wood based	868	1999.12	3711
4	Leather and leather based	236	336.77	1005
5	Printing and Stationery	312	582.15	1337
6	Rubber and plastic based	28	69.88	120
7	Chemical & allied units	27	194.72	116
8	Glass and Ceramics	188	303.07	806
9	Basic metal & allied units	63	139.54	265
10	General Engg./Mech. Ind.	393	935.05	1695

11	Electrical & Electronics	235	519.92	1008
12	Automobiles	85	188.04	364
13	Transport & equipment	6	13.27	25
14	Job work / servicing	1602	3524.03	6848
15	Other services	557	1224.05	2354
16	Misc. products	643	929.38	2745
Total		7317	15622.58	31185

Source: District Industries Centre,

In Raichur taluk there were 2,478 tiny & SSI units as on 31.03.2001, which increased to 2,902 units as on 31.01.2006, registering a growth of 17%. In the Taluk, tiny & SSI units have the aggregate investment of Rs.41.72 cr and provided employment to 10,655 persons as on 31.03.2001 which increased to Rs.60.02cr and 12,351 persons respectively as on 31.01.2006. During the above period, there is a growth of 44% in terms of total investment by tiny & SSI units and 16% in terms of employment. The details are given in Table-4.

Table –4

Tiny & SSI Units– Taluk & District Trend

[Units & Employment: Nos. Investment: Rs. Lakhs]

Taluk	31.03.2001			Up to January 2006			% increase in		
	Units	Invst.	Emp.	Units	Invst.	Emp.	Units	Invst.	Emp.
Deodurga	329	884.7	1604	509	1149.42	2215	54.71	29.92	38.09
Lingsugur	1039	2458.45	4677	1328	2927.56	5662	27.82	19.08	21.06
Manvi	825	1831.02	3726	1117	2427.47	4740	35.39	32.57	27.21
Raichur	2478	4172.24	10655	2902	6002.12	12351	17.11	43.86	15.92
Sindhanur	1201	2729.06	5477	1461	3116.01	6217	21.65	14.18	13.51
TOTAL	5872	12075.47	26139	7317	15622.6	31185	24.61	29.37	19.30

Source: District Industries Centre, Raichur

In Raichur district average investment per unit has increased marginally from Rs. 2.06 lakhs as on 31.03.2001 to Rs.2.14 lakhs as on 31.01.2006. Average employment per unit has

reduced from 4.46 persons to 4.26 persons and average employment per lakh investment has reduced from 2.16 persons to 2 persons during the above period.

In Raichur taluk average investment per unit has increased from Rs. 1.68 lakhs as on 31.03.2001 to Rs.2.07 lakhs as on 31.01.2006. Average employment per unit has reduced from 4.30 persons to 4.26 persons and average employment per lakh investment has reduced from 2.55 persons to 2.06 persons during the above period. The details are given in Table – 5.

Table – 5
Investment & Employment Analysis in Tiny & SSI Sector

Taluk	31.03.2001			Upto January 2006		
	Avg. Invst./unit Rs.lakhs	Avg. Emp./unit	Avg. Emp./lakh Rs.	Avg. Invst./unit Rs.lakhs	Avg. Emp./unit	Avg. Emp./lakh Rs.
Deodurga	2.69	4.88	1.81	2.26	4.35	1.93
Lingsugur	2.37	4.50	1.90	2.20	4.26	1.93
Manvi	2.22	4.52	2.03	2.17	4.24	1.95
Raichur	1.68	4.30	2.55	2.07	4.26	2.06
Sindhaur	2.27	4.56	2.01	2.13	4.26	2.00
TOTAL	2.06	4.45	2.16	2.14	4.26	2.00

Source: District Industries Centre, Raichur

In the District, 1,445 tiny and SSI units have come up during last 5 years, with an additional investment of Rs. 35.47 cr and employment to 5,046 persons.

In the District highest number of units has come up in Raichur taluk (30%) and lowest number of units in Manvi taluk (12%). Similarly, highest investment from tiny and SSI units are in Raichur taluk (52%) and lowest investment in Deodurga taluk (7%). The employment generated is also follows the similar trend.

In Raichur taluk 424 units, have come up (30%), with a investment of Rs. 1,830 lakhs (52%) and provided employment to 1,670 persons (34%) during last five years. It may be observed that, Raichur taluk is preferred location than other taluks in Raichur district for establishing the project. Details are given in the Table – 6

Table – 6**Tiny & SSI Units Established during last 5 Years**

Taluk	Additions during last 5 years			% to the total		
	Units	Invst. (Rs.lakhs)	Emp. (Nos.)	Units	Invst. (Rs.lakhs)	Emp. (Nos.)
Deodurga	180	264.72	611	2.46	7.46	12.11
Lingsugur	289	469.11	985	0.00	13.23	19.52
Manvi	292	596.45	1014	0.21	16.82	20.10
Raichur	424	1829.88	1696	9.34	51.59	33.61
Sindhaur	260	386.95	740	7.99	10.91	14.67
TOTAL	1445	3547.11	5046	100.00	100.00	100.0

Source: District Industries Centre, Raichur

Large and Medium Industries

In the undivided Raichur District there were 20 large and medium industries (LMIs) accounting for 2% to the State total of 1,086 units. These units had an investment of Rs.652 cr. accounting for 4% to the State total.

In Raichur district, there are 7 large and medium units, accounts for less than 1% to the State total of 1,086 units. LMIs in the District provide employment to 7,057 persons, accounting for 2% to the State total. Raichur district has the gold manufacturing unit, the only one in the country. Out of seven LMIs in the District two are PSUs, 5 are private in sector. Out of 5 LMIs in private sector two are involved in vegetable oil processing, one involved in petro chemicals and another in cotton spinning. Out of 7 LMIs in the District, 6 are located in Raichur taluk. The list of LMIs in Raichur District is given in Table-7

Table-7**Large & Medium Scale Industries in Raichur District**

SI No	Name of the Unit & Address	Products manufactured	Employment in No.
1	Hutti Gold Mine Co. Ltd., Hutti, Lingsugur Taluk	Gold	4018
2	Karnataka Power Corporation Ltd., Shakthinagar, Raichur	Electricity	2414
3	Raichur Solvents, Raichur	Edible Oil	68

4	General Oilseeds Growers Co-op. Society Ltd., Raichur	Oilseeds Processing	74
5	Farook Anwar Co., Raichur	Edible Oil	99
6	Mysore Petro Chemicals Ltd., P.B. No.34, Raichur	Petrochemicals Processing	156
7	Vishal Cotton Spin Ltd., Deosugur Indl. Area, Raichur	Cotton Processing	228
Total			7057

Source: District Industries Centre, Raichur.

Projects Cleared by HLC & State SWA Projects cleared by HLC during last three years

In the last five years, High Level Committee (HLC) has approved six projects for implementation in Raichur District, accounting for 3% of the State total of 191 projects these projects have aggregate investment about Rs. 14,854 cr., accounting for 12% to the State total of Rs. 1, 20,221 cr. And provide employment to about 7,959 persons, accounting for 1% to the State total of 6.47 lakhs persons.

The major projects approved by HLC for Raichur District constitutes manufacturing of pig iron and integrated steel plant. In addition, few projects are in the field of power generation and ore palletizing. All the projects cleared by HLC for Raichur District are proposed to be established in Raichur. This indicates preference of industrialists to establish their unit near large urban agglomeration. The details of the projects approved are given in Table-8

Table – 8
Major Projects Cleared by HLC

Sl. No.	Name & Address of the unit	Local	Project / Production	Investment (Rs.in crores)	Employment in Nos.
1.	Alok Finvest (P) Ltd., New Delhi.	Raichur Growth Centre	Pig Iron Plant	481.00	270
2.	Hampi Petro Chemicals Ltd., Bangalore.	Raichur Growth Centre	Coke oven-cum-48 MW power Plant	573.00	357
3.	Ispat Industries	Raichur	Integrated Steel Plant	7144.00	3000
4.	Surana Industries Ltd.,	Raichur Growth Centre	Integrated Steel Plant	562.09	1350
5.	Southern Port Terminals Pvt. Ltd.,	Raichur District	Integrated Steel Plant	4805.57	2000
6.	BMM Ispat Ltd.,	Raichur Ind. Area	IMPTA Iron Ore Pelletizing Plant	233.90	355

Source: Annual Report 2012-13

As mentioned above, two projects which were cleared by HLC during 2000-01 are yet to be implemented. The implementation of the above projects, may take two to three years' duration. The projects have good scope for developing engineering industries, service sector units and building material units.

Projects Cleared by State Single Window Agency (SWA)

In the last five years, Single Window Agency (SWA) has approved twelve projects for implementation in Raichur district, accounting for 1% to the total projects in the State.

These projects have aggregate investment about Rs. 30,754 lakhs (2%) and provide employment to about 1,744 persons (1%).

The particulars of projects cleared by State Level Single Window Agency during last three years are given in Table-9.

Table-9
Projects Cleared by SWA

Raichur District				State			Percentage to State		
Year	No. of Units	Investment (Rs. In lakhs)	Employment (Nos.)	No. of Units	Investment (Rs. In lakhs)	Employment (Nos.)	No. of Units	Investment (Rs. In lakhs)	Employment (Nos.)
2000-01	4	7903	1196	291	445450	121699	1.37	1.77	0.98
2001-02	4	12374	251	103	203938	45852	3.88	6.07	0.55
2002-03	2	3002	50	95	180667	32072	2.11	1.66	0.16
2003-04	-	-	-	164	389347	111452	-	-	-
2004-05	1	4975	42	202	452476	109028	0.50	1.10	0.04
2005-06	1	2500	235	NA	NA	NA	NA	NA	NA
Total	12	30,754	1,774	855	16,718,78	4,20,103	1.40	1.84	0.42

Source: District Industries Centre, Raichur

In Raichur district, SWA since inception has approved 30 projects, of which 28 projects are proposed to be located in Raichur taluk and two in Deodurga taluk. Out of approved 30 projects, only six projects are implemented (20%) and eight projects are under implementation (27%). Four major power projects each of 4.5 MW based on bio-mass from Rice mills have been cleared for establishment at Raichur. It could be observed that after implementation of 8 projects, total projects implemented still account for less than 50% of the projects approved by SWA.

SWA approved projects, in Raichur district comprise mainly cotton spinning, oil extraction & solvent extraction plant, bio-mass power projects, building materials, foundry units etc. These units are likely to outsource their requirements from general engineering

units. Apart from this, service sector units, have scope for tie up with the approved projects after implementation.

Sick Units

In Raichur district 142 units were reported to be sick as on 31st March 2005, of which 23 units have been declare sick and 14 units rehabilitated. The Margin Money assistance of Rs.8.08 lakhs is extended to four units and other concessions were extended to eight units. In addition to the above, 4 units were identified as sick during 2005-06. The rehabilitation proposal is being worked out for seeking approval for task force.

The reasons for sickness in tiny and SSI units are similar to the other sick units in the State. Some of the reasons for sickness could be due to lack of demand, marketing problems, shortage of working capital, high electric tariff, management problems, delay in release of subsidy etc.,

Subsidy Release

The Department of Industries & Commerce has sanctioned 915 lakhs subsidy to 305 units in Raichur District up to 31.8.2005. The subsidy amount of Rs.258 lakhs has been released to 166 units and balance amount of Rs.657 lakhs is yet to be released as on 31.8.2005.

In the District, subsidy amount of Rs.35.12 lakhs has been sanctioned to 11 poultry units, of which Rs.13 lakhs is released to 3 units as on 31.8.2005. Similarly, subsidy amount of Rs.17.33 lakhs was sanctioned to 10 brick units, of which 2.34 lakhs is released to 3 units as on 31.8.2005. The subsidy amount of Rs.136 lakhs was sanctioned to 50 self-financed units other than poultry and brick units, of which 4.67 lakhs has been released to six units as on 31.8.2005.

District Industries Centre has given certificate for entry tax exemption to 4 units during 2004-05. In the District, 21 units were assisted for interest subsidy under modernization and technical up gradation scheme.

Conclusion

The operational strategy of government is primarily focused on industrialization, with special emphasis on small sector. In order to accelerate the small industries development

Government at the Central and State levels have set up a number of development agencies / institutions. But their performance at gross root level is very minimal; subsidies are misused or not led to real revolution in small industrialisation hence, needs to be improved in the programmes and agencies working style to meet the target group in the industrial area and to promote real entrepreneurs in taluaka and district level by giving more preference to develop the industrial area.

References

- Ali, M. Z. (2004): 'Absenteeism in Small Scale Industries', SEDME (Small Enterprise Development, Management and Extension) Journal, Vol.31, No.4, December, 2003.
- Annual Report (2003-04): Ministry of Small Scale Industries, Government of India. New Delhi.
- Baruah, R. K. (2000): Financing Small Scale Industries, Omsons Publications, Delhi.
- Bharti, R.K. (1978): Industrial Estate in Developing Economies, National Publishing House, New Delhi.
- Datey V.S. (2001), Taxmann's Practice Manual to small Scale Industries, Taxmann Allied Services (P) Limited
- Datt, R. and Sundaram, K.P.M. (1979): Indian Economy: S. Chand & Co. Ltd. New Delhi.
- Desai, V. (499), Small Scale Enterprises, Volume 6-7, Himalaya Publishing House.
- Funda, K. K. (2003): 'How to start a Small Scale Industry', Laghu Udyog Samachar, April-September 2003. p.78
- Headquarters of Office of the Commissioner for Khadhi and Village Industries is In Mumbai.
The information regarding it is as follows: The head office of SIDBI Northern Regional Office
- ICSI Herald, Vol. IX, No.4, April 1998. p.13
- Khan, M.Y. (486), Indian Financial System Theory and Practice, Vikas Publishing House Private Ltd., New Delhi
- Kulkarni, P.R. (2001): 'Financial Structure for Backward Area Development', SEDME Journal. Vol.28, No.2 June 2001.
- National Committee on Science and Technology, (1975): Report on the Science and Technology Panel for Khadi and Village Industries, Government of India.
- Panda, S.C., Entrepreneurship Development, New Delhi Anmol Publications

Rahman, M. (2006): 'A Study on the Problems and Prospects of Small-Scale Industries in Hill Districts of Assam' (Unpublished Ph.D Thesis), Department of Commerce, Assam University, Silchar. P.1

Rastogi, K.M. (1980): 'Employment Generation Through Small-scale, Village and Cottage Industries- A case Study of Madhya Pradesh' in Narayana D.L. (ed.) Planning for Development, Sterling Publishers Pvt .Ltd. New Delhi.

Report of the Expert committee (1997) on Small Enterprises, Ministry of Industry Department of SSI.A & R.I.(Abid Hussain Committee). Government of India New Delhi

Report of the district industry centre Raichur-2004-05-06-07-P166-196