

## **A CASE STUDY ON PROBLEMS OF SMALL-SCALE ENTREPRENEURS IN DAVANGERE DISTRICT**

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### **Abstract**

*Small-Scale business are developed with many objectives viz., to generate immediate and large scale employment, to encourage dispersal of industries, to ensure optimum utilization of scarce resources, to have balanced industrial development, which can be achieved only when small-scale industries are managed in an efficient manner but in today's competitive world, small-scale industries are suffering from various problems which hinder the growth. To have increased GDP, the need of the hour is to overcome these problems. Hence, an attempt has been made to know the various problems being faced by the entrepreneurs under study.*

### **Introduction**

Small-Scale Industries (SSIs) play a key role in the industrialization of developing country. This is because they provide immediate large scale employment and have a comparatively higher labour - capital ratio; they need a shorter gestation period and relatively smaller markets to be economic; they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location.

Small-Scale Industrial sector in India has undergone sea changes both conceptually and functionally over the last four decades. Before independence, India had no industrial base and even sewing needles used to be imported. However since 1947 the scenario has changed and now-a-days highly sophisticated electronic and engineering goods are being manufactured within the country for domestic use and exports to other countries. The contribution of Small-Scale industry in this direction is no less.

### **Conceptual Frame Work of Small-Scale Industries**

“Small is beautiful”, use of “Small” as a designation in industry differentiates one set of industries from others. Comparatively small in operation, employment, products, capital, technology etc. Thus, this small sector share unique problems compared to others. In the case of manufacturing units, small industries are to be expected to have a unique set of problems in relation to their ‘smallness’ that differentiates them from medium and large manufacturing units. At the same time, the small sector has unique advantages. And, as such small is not only beautiful, but also beneficial, efficient and reliable.

### **Review of Literature**

An attempt has been made to make a review of the studies carried on by the experts on Small-Scale Industries and other allied issues. It may be noted that interest in the study of Small-Scale Industries arose only after post-independence and post liberalization period. Many scholars have shown great interest in studying the various aspects of Small-Scale Industries around the world and in India. It is in the continuation of these works, a review of available literature on factors affecting the Small-Scale Industries in Davangere district promotion of the small enterprises, performance and problems of Small-Scale Industries and other aspects of Small-Scale Industries has been made and presented.

**Mecrory** conducted a case study of 17 small-scale firms in Uttar Pradesh and focused his attentions on the craftsman entrepreneurs whom he regarded as a needed source of good industrial entrepreneurship. He analysed the reason for the high mortality rate and the lack of growth of their firms and made some policy recommendation for providing them an opportunity to grow especially through provision of capital.

**Oomen** examined the emerging pattern of entrepreneurship in the small-scale sector of Kerala by studying the origin and growth of the firms in the light engineering industry and the input of government programmes of industrial estates and rural industries project on entrepreneurship. The study is based on the data collected from 45 entrepreneurs. It was found that engineers and technicians formed the single largest group of the entrepreneurs and most of the merchants who have started industry were Muslims. The study revealed that, the educational background of entrepreneurs influenced to the location of the Small-Scale Industries units in industrial estates.

**Satyanarayan and Mishra** (2001) emphasized on strengthening marketing efforts in Small-Scale Industries (SSIs) by building core product lines and by avoiding excessive diversification in geographic and technical spheres, ensuring time management in decision making for seeking reliable financial support from bankers or creditors, exercising control purchase, inventory and maintenance to avoid breakdowns.

However, a comprehensive study on Small-Scale Industries located at Davangere District has not been made so far and documented. As a matter of fact, Small-Scale Industries play a very crucial role in giving impetus to entrepreneurship development which in turn will give a direct impact on economic growth and development. Hence, the present study is a pioneering attempt to analyze the role of Small-Scale Industries at Davangere District in enhancing entrepreneurial activities.

### **Need for the Study**

A deep probe into the available literature relating to Small-Scale Industries in the study area hints the researcher that, almost all the studies focused on different dimensions of SSIs of a particular region. However, even though many research studies have been carried out in the study area, no such micro study has been done by any researcher so far to evaluate the working of SSIs in Davangere District. Hence, the present study aims to evaluate the working of SSIs units located in Davangere District & trace out the problems, 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.

### **Objectives of the Study**

1. To know the problems of Small-Scale Industries in the study area.

### **Statement of the Problem**

The lack of efficient entrepreneur, lack of industrial environment, lack of incentives for private initiatives, lacks of technical knowledge, lack of resources, unhealthy congestion & absence of domestic market determine the industrial growth and economic development of the developing countries like India. In fact, the presences of entrepreneurs who act as “Change agents” heralding the growth of industries are of great importance. The slow growth of the industries in the developing countries as the United Nations Economic Commission for Latin America has noted is “due to the absence of qualified entrepreneurial class prepared to take initiatives and assume risks and to an adequate economic policy on the part of the government”.

Karnataka is one of the top Five industrialized state in the country. It has a history of pioneering industrial development initiatives since the time of the princely state of Mysore and subsequently in the post-independence area. The state was the first to have brought out a state Industrial Policy during 1982-83, followed by successive State Industrial Policies in 1988, 1990, 1993, 1996, 2001 and in the year 2006 i.e., new Industrial Policy 2006-2011.

### **Research Methodology**

The present study is built on pooling up of both primary and secondary data. The primary data is gathered through field investigation. 20% of the total Small-Scale entrepreneurs in the study area are taken in to consideration for the study on random sampling basis and they are personally interviewed with the help of a

structured interviewed schedule. And the first-hand information thus collected are analysed and interpreted with the help of a simple statistical tool.

The primary data has been supplemented by the secondary data and is gathered through various literature available relating to the field of entrepreneurship, professional journals, periodicals, newspapers and internet.

**Table No. 01, Taluk-Wise Distribution of Small-Scale Industries Registered in District Industries Centre at Glance**

Sl. No.	Taluk	No. of SSI	Sampling @ 20%
1.	Channagiri	45	09
2.	Davangere	165	33
3.	Harapanahalli	36	07
4.	Harihar	110	22
5.	Honnali	53	11
6.	Jagalur	29	06
<b>Total</b>		<b>438</b>	<b>88</b>

Source: Compiled From Field Survey.

### Scope of the Study

This study is confine to the Davangere District which includes 6 taluks and out of 438 Small-Scale Industries in the Study area, 88(20%) of the Small-Scale entrepreneurs in the study area are taken in to consideration and interviewed to collect necessary data. The study concentrates on the role played by socio - economic background of the respondents and formal educational and informational factors affecting the entrepreneurial success for the Small-Scale Industries in the Davangere District. Cut-off period between 2008-2012.

### Limitations of the Study

The present study is mainly based on personal interviews with the sample entrepreneurs in the Small-Scale Industries of Davangere and the following limitations have been identified.

1. As only 88(20%) of the Small-Scale entrepreneurs were covered for the survey, the result obtained cannot be generalized.
2. The study is limited to the entrepreneurs in the SSIs of Davangere District only.
3. Further the scope of the study is limited because of time and financial constraints.

### Problems of Entrepreneurs

Entrepreneurs were asked to indicate their problems. The data collected relating to the problems are presented as a brief note of these problems, is given below.

#### I. Major Marketing Problems

The **entrepreneurs** have number of major marketing problems, are as follows:

##### a) Lack of Standardization

Each customer wants to purchase standard products in the dynamic world. So large and medium industries are going to sell these products according to the tests and preference of the customers, demands and needs of customers. But the small-scale Industries are unable produce standard products because of shortage of money. So the SSIs are suffering from major problems at the time of marketing.

##### b) Poor Designing

Designs and shapes induced the customers to purchase the products in the market. So large and medium industries are going to produce the products with standard designing by utilizing the updated technologies and machineries in the industries. But small-scale industries are unable to produce good designing products, because

they cannot utilize the updated technologies and machineries. Due to which SSIs produces the poor designed products by using the outdated machineries. So they are going suffer the problems of poor designing.

### c) Poor Quality

The good quality products are more preferable by the ultimate consumers. So the large and medium industries produce the good qualitative products by using the updated technologies and innovative machineries with the help huge investment in the industries. But the small-scale industries cannot improve the quality of products. Because they uses the outdate machineries due to the shortage of money. So SSIs are suffering with problems of poor quality products in the markets.

### d) Lack of Quality Control

Lack of quality control is one of the most important problems of small - scale entrepreneurs which is facing in the market. Due to the scarcity of funds the small - scale industries uses the outdate machineries, because of which they cannot maintain and control the standards and qualities of the products.

### e) Other Problems

Apart from aforesaid problems the small-scale industries are facing many other problems. Like lack of advertising, lack of publicity, lack of sales promotion techniques and personal selling etc.

If a small-scale industry spends huge funds for advertising, publicity, sales promotion and personal selling means it can generate the number of customers. But due to the shortage of funds they are suffering with the aforesaid problems in the market.

**Table No. 02 : Major Marketing Problems**

Major Problems	Rank
Lack of Standardization	1 <sup>st</sup>
Poor quality	1 <sup>st</sup>
Poor designing	2 <sup>nd</sup>
Lack of quality control	3 <sup>rd</sup>
Other problems	4 <sup>th</sup>

*Source: Compiled From Field Survey.*

To know the major problems being faced by the respondents under the study they were asked to indicate their major marketing problems. As seen in the table No. 02 speaks that the respondents in the study area faces majorly the problems of lack of standardization and poor quality have got **First Rank**. The next problems faced by respondents is poor designing has got **Second Rank**. The another problem faced by respondents is lack of quality control has got **Third Rank**, the other problems faced by respondents has got **Fourth Rank** as per the respondents. From the above it is clear that, Majority of respondents are facing marketing problems due to lack of standardization and poor quality, which leads to low production, low sales turnover, low demand for product and low profit.

## II. Reasons for Decline Sales Volume and Revenue

The Small - Scale Entrepreneurs have number of reasons for decline sales volume as they are :

### a) Poor Finishing

The finishing of a product should be attractive one. Because a finished product induces the customers to purchase the products in the market. But due to the lack of innovative technologies and updated machineries the small-scale industry cannot produce properly the finished products in the market. So nowadays the SSIs are suffering with the problems of poor finishing.

### b) Lack of Marketing Knowledge

Every Entrepreneurs should have the marketing knowledge to survive in the market. Before going to produce the product the entrepreneurs have to make an survey regarding wants, needs, demands, tests and preferences of the customers and other marketing knowledge like advertising, sales promotion techniques, personal selling and publicity etc. But the small - scale industry is unable to adopt the aforesaid knowledge regarding marketing. So the small-scale entrepreneurs are suffering with problem of sales decline due to the lack of marketing knowledge.

### c) Stiff Competition

One of reason for decline sales is that stiff competition. Large and medium industries are comes with very innovative and initiative products in the market. They can adopt the innovative technologies and promotes and change the product as situations comes in the market. But the small - scale industries due to scarcity of funds and outdated machineries cannot produce innovative products and also they cannot adopt the changes as their competitors. Then SSIs are suffering with problem of stiff competition, due to which they decline sales.

### d) Other Reasons

Apart from aforesaid reasons the small - scale industries are facing many other reasons, like lack of standardization, poor designing, poor quality and lack of quality control etc.

**Table No. 03 : Reasons for Decline Sales Volume and Revenue**

Reasons for decline sales volume and Revenue	Rank
Lack of marketing knowledge	1 <sup>st</sup>
Stiff competition	2 <sup>nd</sup>
Poor finishing	3 <sup>rd</sup>
Other Reasons	4 <sup>th</sup>

*Source: Compiled From Field Survey.*

To know the reasons being faced by the respondents under the study they were asked to indicate their reasons for decline sales volume. As seen in the table No. 03 speaks that the respondents in the study area have majorly the reason of lack of marketing knowledge has got **First Rank**. The next reason answered by respondents is stiff competition has got **Second Rank**. Another reason answered by the respondents is poor finishing has got **Third Rank** and other reasons answered by the respondents has got **Fourth Rank** as per the respondents. It clearly indicates that, the majority of respondents are facing the problem of lack of marketing knowledge which leads to low production, low marketing contacts, high competition, irregular supply of products, reduces the sales volume and ultimately minimizes the profit.

### III. Problems of Consumer Preferences for SSIs product

The small-scale entrepreneurs have number of problems of consumer preferences, as they are follows :

#### a) Branded Products

The ultimate customers believes on the more branded products. So large and medium industries are going to spend more to promote the image of a company and to make branded products. But the small - scale industries are unable to spend more and due to which they cannot improve the brand of products.

#### b) Qualitative Products

The ultimate consumer wants to purchase more qualitative products. So the large and medium industries are going adopt to innovative technologies and updated machineries to improve quality of the products. But small - scale industries are unable to adopt and maintain the quality of products.

### c) Quantitative Products

The ultimate consumers want to buy more branded and qualitative products in low price. But the small - scale industries are unable to supply the goods according to the needs of consumers.

### d) Other Preferences

Apart from aforesaid problems of consumer preferences, the small - scale industries are facing many other preferences of consumers like; designs, shape, size, standards etc.

**Table No. 04 : Problems of Consumer Preferences for SSIs Product**

Consumer preferences	Rank
Branded products	1 <sup>st</sup>
Qualitative products	2 <sup>nd</sup>
Quantitative products	3 <sup>rd</sup>
Other preferences	4 <sup>th</sup>

Source: Compiled From Field Survey.

To know the problems being faced by the respondents under the study they were asked to indicate their problems relating to consumer preferences. As seen in the table No. 04 speaks that the respondents in the study area faces majorly the problem of branded products has got **First Rank**. The next problem faced by respondents is qualitative products has got **Second Rank**. Another problem faced by respondents is quantitative products has got **Third Rank** and the other Problems faced by respondents have got **Fourth Rank** as per the respondents. It clearly indicates that, the first rank problem is branded products which unable the respondents to sale maximum products to ultimate consumers because the consumer prefers the more branded and quality products in a reasonable price.

### Problems for Low Sales Turnover

The Small - Scale Industries are also having tremendous reasons for low sales turnover, as they are follows.

#### a) Lack of Raw material

A major problem with the small - scale industries is the procurement of raw material. The small units which are importing raw material face a severe shortage of raw material due to the demand of medium and large industries. However, even the small units that depend on local resources for their raw material requirements faced some problems. Keeping in view, government has made provision for making raw material available to small scale industries. Still small scale industries are facing problems due to lack of access with the government officials.

#### b) Lack of Service After Sale

The major problems with the small - scale industries are the lack of service after sales. The small scale units which are supplying the goods are unable to give proper service after sale to the customers. The services like guarantees, 2 years warrantee, repayment if the products comes damage, repairs etc. These services cannot be given by SSI, due to which they are suffering with the problem of low sales turnover in the market.

#### c) Inadequate Supply of Final Products

One of the problems of low sales turnover with small-scale industry is inadequate supply of final products. Due to the scarcity of money the small scale units are unable to produce standard products with good quality, designs and proper finishing of products which loses the customers in the market.

#### d) Lack of Distribution Contact

The major problem of low sales turnover with small-scale industry is lack of distribution contacts. For regular supply of goods the large and medium industries are going to have good distribution contacts in the market. But due to the number of industries the small scale units does not have the proper distribution contacts in the market.



#### e) Lack of Warehousing Facilities

Warehousing facilities plays an important and a dominant role to store the goods in a godown. But due to the scarcity of funds the small units are unable to store the goods in warehouses, which makes the irregular supply of goods. If the small scale units uses the warehouse means they can store the raw material and semi-finished goods and can be use when they want.

#### f) Other Problems

Apart from aforesaid problems the small scale industries are facing with many other problems like; industrial premises, Delay in registration, high cost of production, etc.

**Table No. 05: Problems for Low Sales Turnover**

Particulars	Rank
Lack of raw materials	1 <sup>st</sup>
Inadequate supply of final products	1 <sup>st</sup>
Lack of distribution contacts	2 <sup>nd</sup>
Lack of service after sale	3 <sup>rd</sup>
Lack of warehousing facilities	4 <sup>th</sup>
Other Problems	5 <sup>th</sup>

*Source: Compiled From Field Survey.*

Table No. 05 shows that the respondents in the study area are facing numerous problems. The respondents are facing majorly the problems of lack of raw materials and inadequate supply of final products had got **First Rank**. The next problem faced by respondents is lack of distribution contacts had got **Second Rank**. The another problem faced by respondents is lack of service after sale had got **Third Rank**, the lack of warehousing facilities had got **Fourth Rank**, and other problems which are faced by the respondents has got **Fifth Rank** as per the respondents. From the above it is clear that, the majority of respondents are lacking in raw materials and inadequate supply of final products which leads to low production, high cost, low turnover and low profit.

#### General Problems

Apart from the major problems faced in marketing, the respondents are also facing general problems, they are as follows:

#### a) Lack of Infrastructure Facilities

The development of a business mainly depends on the availability of the facilities like., power, transportation, railway, communication. Though Davangere district is well equipped with all these facilities but existing facilities are not adequate to meet the requirements of the small scale entrepreneurs because large and medium scale enterprises consume all these facilities. So the small-scale industries are facing with the problem of lack of infrastructure facilities in the study area.

#### b) Rigid Government Rules

Though government has provided many facilities to small entrepreneurs, they are not able to enjoy them fully but to avail the facility under government support, entrepreneurs has to put Herculean effort they have comply with rigid rules and regulations.

#### c) Electricity Problems

The success of industry depends up on the technology adopted. In order to adopt technology and machineries. It require power, the small scale industries faces the problems of power cut frequently. This is bigger problem of the entrepreneurs in the industrial estate.

#### d) Skilled Labour Problems

The small scale industries are facing with the problem of skilled labour. The skilled labours are irregular in SSI because of fewer wages. The SSI is not giving better fringe benefit and non-financial assistance to labour.

#### e) Other Problems

In addition to the problems enumerated above, the small - scale industries have been constrained by a number of other problems like competition, marketing problems, lack non availability of fund, shed and other infrastructure facilities, apart from setting of enterprise. The present study highlights the problems of small scale industries in the below presented table No. 06.

**Table No. 06 : General Problems of Entrepreneurs**

General Problems	Rank
Lack of infrastructure facilities	3 <sup>rd</sup>
Rigid government rules	2 <sup>nd</sup>
Electricity problems	1 <sup>st</sup>
Skilled labour problems	1 <sup>st</sup>
Other problems	4 <sup>th</sup>

*Source: Compiled From Field Survey.*

Table No. 06 shows that respondents are facing general problems. The skilled labour problems and electricity problems are the bigger problems of respondents had got **First Rank**, the rigid government rules is the other important problem faced by respondents had got **Second Rank**. The lack of infrastructure facilities faced by respondents had got **Third Rank** and other problems are also faced by respondents had got **Fourth Rank**. These are the various general problems which are encountered by the respondents in the study area. From the above it is conclude that, majority of respondents have been experiencing the shortage of electricity and skilled labour. The shortage of skilled workers has prompted them to train the “raw hands”. The raw hands after getting the training “run away” to other units. Among the skilled workers there is a tendency not to turn up for workers for no valid reason without any notice. All these problems have accounted for an increase in the cost of production, production of low quality goods/services and low, below. Normal profits and even losses to some units.

#### Financial Problems

Small units, as is well known, are not exclusively and not even mainly dependent on government assistance. Most of these units owe their origin to the spurt in the demand of their products either in the local market, the neighbouring or distant market, or in a combination of markets.

The initial investment of these small units comes mainly from within, most of them invest their own funds or borrowed funds (mainly from relative, friends and professional lenders). Much less comes from banks and government channels

#### I. Monetary Problems

The Entrepreneurs have faced number of monetary problems, as they are follows.

##### a) Raising of Capital

Small - scale industrialists do not have sufficient funds of their own for fixed capital investment, nor can they obtain the necessary resources from institutional agencies if the latter are doubtful of the former's ability to replay the loans in time. The shortage of funds makes it difficult for them to install modern machinery and tools and to maintain well organized and full equipped factories. Moreover, they cannot buy and store good quality raw materials or stock their finished products, pack their goods attractively, have any sales organization of their own or furnish security deposits, whenever necessary.



### b) Working Capital Problems

The small units depend more on their own funds and borrowed funds from non-banking and non-government sectors because of the fact that institutional lenders like banks and government financial corporations are generally reluctant to advance money to these small units, since they have yet to establish themselves. The shortage of funds makes it difficult for them to install modern machinery and tools and to maintain well organized and full - equipped factories.

### c) Long Term Funds Problems

Financial institutions ask for a lot of information and data. They are hardly ever satisfied with whatever information the prospective borrower supplies and go on raising queries, often not at one time, but in instalments with wide gaps. This makes matters very difficult for the small industrialist, particularly when he is new to this way of life, and he has to deal with both the State Finance Corporation and the bank. Quite often, a few get fed up at this stage and give up the project. If only the bureaucracy were helpful, a major problem of the small industrialist would be solving.

### d) Recovery Problems

One of the most difficult problem of the small industrialist today is recoveries from sales. It is an established practice for buyers to expect credit from sellers. This practice is forced upon the small industrialist by the larger ones. Initially, credit was available for a month or two. But with a very tight money market, a situation has developed in which buyers do not pay their suppliers for over 12 months and get away with it.

The present study highlights the monetary problems of small - scale industries in the below presented table No. 06.

**Table No. 07 : Monetary Problems of Entrepreneurs**

Monetary Problems	Rank
Raising of Capital	1 <sup>st</sup>
Working capital problems	2 <sup>nd</sup>
Long term funds problems	3 <sup>rd</sup>
Recovery problems	4 <sup>th</sup>

*Source : Compiled From Field Survey.*

To know the problems being faced by the respondents under the study they were asked to indicate their monetary problems. As seen in the table No. 06 speaks that the respondents in the study area faces majorly the problem of raising of capital has got **First Rank**. The next problems faced by respondents are working capital problem has got **Second Rank**. The problem faced by respondents is long term funds problem has got **Third Rank**. The recovery problem faced by respondents has got **Fourth Rank** as per the respondents. It clearly indicates that, the respondents are facing monetary problems because the respondents have to raise capital for expansion of business, repay loans to financial institutions, purchase plant and machineries etc. due to these problems the respondents may loose opportunities for unit and low setting-up rate and low profit.

## II. Legal Formalities in Financial Institutions

The Entrepreneurs have faced number of problems relating to legal formalities of financial institutions, they are as follows:

### a) Grant of Inadequate Finance

Finance is the life blood of a business, in order to get success there should be adequate flow of finance. There are number of banks providing the finance, but large and medium industries are consuming this finance and hence small scale businesses are suffering from inadequate finance.

### b) Discriminatory Treatment of SSI

Government of India in order to encourage small-scale industries had provided numerous schemes. But as SSI have less influence in the market and other fields, they are unable to obtain these facilities; further the large and

medium industries, they largely get major facilities as they contribute more growth. The banks are granting more and quick funds to large and medium industries as compare to small scale industries.

**c) Demand For Margin Money**

Some banks in order to issue loans demands margin money. The large and medium industries gives the margin money and quickly obtain the finance from banks but small scale industries because of shortage of funds unable to give margin money, hence suffer from inadequate finance.

**d) Mortgage of Assets / Demand of Security**

In order to grant funds commercial banks and other institutions demand mortgage (i.e. security). The small - scale industries has only few assets or machines, it is difficult to mortgage the asset when they need additional funds. Because of lack of mortgage facility, SSI are facing inadequate finance to run their business.

**e) Other Problems**

Apart from aforesaid problems the small scale industries are facing many other problems, problem of high interest rate, monthly installment of bank etc.

If a small scale industry is unable to generate profit, but it must pay installment of loan to the bank. Hence, it suffer from lack of finance.

**Table No. 08 : Legal Formalities in Financial Institutions**

Legal Formalities	Rank
Grant Of inadequate finance	1 <sup>st</sup>
Discriminatory treatment of SSI	3 <sup>rd</sup>
Demand for margin money	2 <sup>nd</sup>
Mortgage of loans / demand of security	1 <sup>st</sup>
Other problems	4 <sup>th</sup>

Source: Compiled From Field Survey.

To known the problems being faced by the respondents under the study they were asked to indicate their problems relating to legal formalities of financial institutions. As seen in the table No. 08 speaks that the respondents in the study area faces majorly the problem of grant of inadequate finance and mortgage of assets has got **First Rank**. The next problem faced by respondents is demand for margin money has got **second Rank**. The another problem faced by respondents is discriminatory treatment of SSI has got **Third Rank**. The other problems faced by respondents has got **Fourth Rank** as per the respondents. It clearly indicates that, afore said problems of respondents makes unable to borrow long term loans from financial institutions, there may be a low investment in business, low production, irregular supply of goods, decrease in sales volume and ultimately low returns on investment.

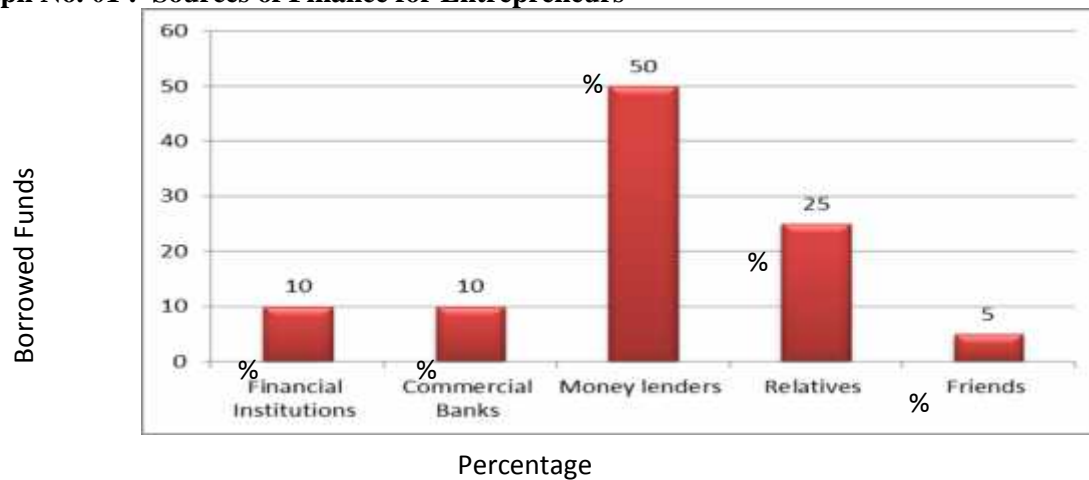
**III. Sources of Finance**

**Table No. 09 : Sources of Finance for Entrepreneurs**

Sources of Finance	No. of Respondents	Percentage (%)
Private Financial Institutions	09	10
Scheduled Commercial Banks	09	10
Money lenders	44	50
Relatives	22	25
Friends	04	05
<b>Total</b>	<b>88</b>	<b>100</b>

Source : Compiled From Field Survey

**Graph No. 01 : Sources of Finance for Entrepreneurs**



From the above table No.09 clearly says that, out of 88 sample respondents, highest number of respondents 44(50%) are borrowing loans from money lenders followed by 22(25%) of the respondents are borrowing funds from relatives. The very least 4(5%) respondents are borrowing funds from their friends. From the above it is clearly states that, majority of respondents are borrowing loans from money lenders where the respondents cannot borrow adequate finance to their units, there would be low investment, low production, irregular supply of goods, reduces sales volume and gives low profit.

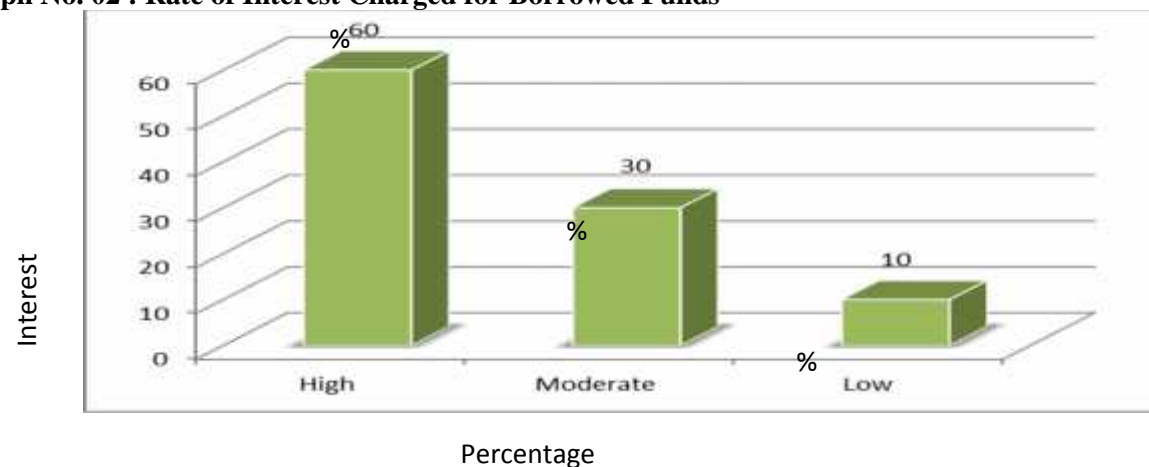
**Rate of Interest**

**Table No. 10: Rate of Interest Charged for Borrowed Funds**

Rate of interest	No. of Respondents	Percentage (%)
High	53	60
Moderate	26	30
Low	09	10
<b>Total</b>	<b>88</b>	<b>100</b>

Source : Compiled From Field Survey.

**Graph No. 02 : Rate of Interest Charged for Borrowed Funds**



From the above table No. 10 clearly indicates that, out of 88 sample respondents, highest number of respondents 53(60%) gives high rate of interest followed by 26(30%) of the respondents gives moderate rate of interest and remaining 09(10%) of the respondents gives low rate of interest for borrowed funds. From the above it is clear

that, majority of respondents provides high rate of interest on borrowed funds, which leads to low production, low turnover and reduces the sales volume and ultimately gives low returns on investment.

### Managerial Problems

The area in which small - scale industries have encountered the greatest difficulty is that of management. A well-organized industry owes its success mainly to its good management. A successful manager is one who has anticipated his problems and prepared himself to face them squarely and in good time. He should have foresight, so that he may prepare his organization to face the coming events. He gauges the strength and weakness of his organization and appraises the new situation to meet it and he works out a strategy.

### I. Organizational Structure

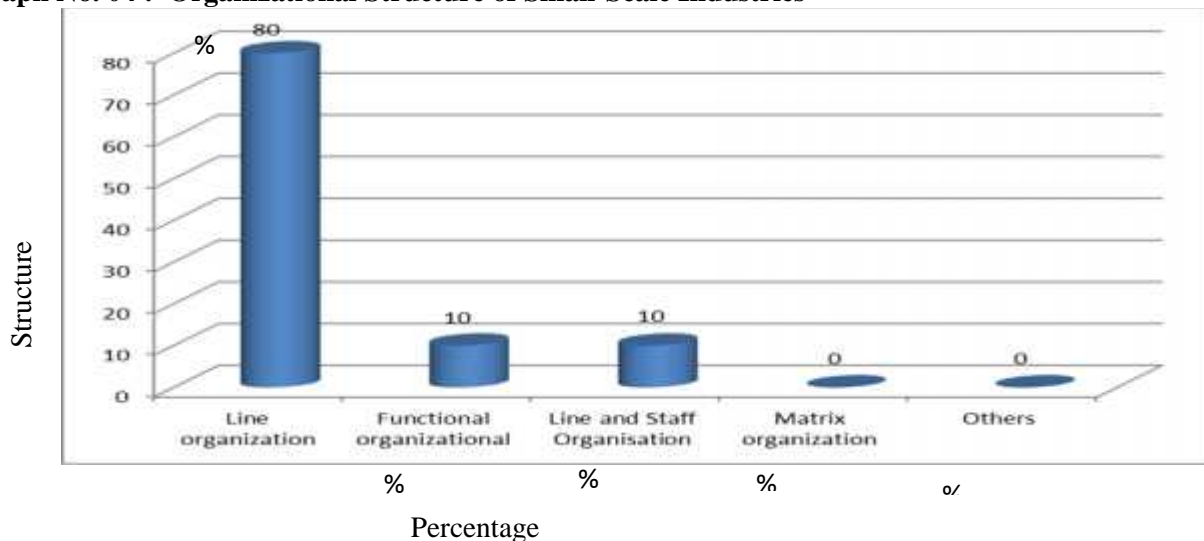
The success of a organization also depends up on the organizational structure. So the table No. 11 presents data regarding the organizational structure.

**Table No. 11 : Organizational Structure of Small-Scale Industries**

Organisational Structure	No. of Respondents	Percentage (%)
Line organization	70	80
Functional organization	09	10
Line and Staff Organisation	09	10
Matrix organization	00	00
Others	00	00
<b>Total</b>	<b>88</b>	<b>100</b>

Source : Compiled From Field Survey.

**Graph No. 04 : Organizational Structure of Small-Scale Industries**



From the above table No. 11 clearly indicates that, out of 88 sample respondents, highest number of respondents 70(80%) have line organisational structure followed by 09(10%) of the respondents have functional organisational structure followed by 09(10%) respondents have line and staff organisational structure. None of the respondents have structure of matrix organisation and other organisations. From the above it is clear that, majority of the respondents have line organisational structure which is a old pattern of organisational structure, where a single person manages all activities of the business.

## II. Mismanagement in Small-Scale Units

### a) Adequate Utilization of Resources

The success of an enterprise is mainly depends upon the adequate utilization of resources which are available to the enterprise. So the large and medium industries are going to manage and control properly with the help of well - talented persons. But the small - scale industry is going to mismanage the available resources due to the lack of skilled persons.

### b) Decision Making

The failure of an enterprise is mainly depends upon the improper decisions which are taken in the organization. The large and medium industries are going to employed well - equipped persons to take good decisions for the achievement of an organization. But due to the scarcity of money the small entrepreneurs cannot employed skilled and well - equipped persons in the industry.

### c) Skilled Labours

The success of an organization is also depends upon the proper management of the skilled personnel. The large and medium industries are going to appoint specialists in the field of management to maintain and control the employees inside the organization. However the small - scale industries are unable to appoint the specialists.

### d) Proper Planning

Due to the scarcity of skilled personnels the small - scale industries cannot prepare the proper planning for future actions. The mismanagement of future plans and policies may leads to the failure of an organisation.

### e) Other Problems

Apart from the aforesaid problems of mismanagement. The small - scale entrepreneurs have many problems i.e. leadership, co-ordination controlling, communication etc.

**Table No. 12 : Mismanagement in Small-Scale Units**

Mismanagement	Rank
Adequate utilization of resources	2 <sup>nd</sup>
Decision making	1 <sup>st</sup>
Skilled labours	3 <sup>rd</sup>
Proper planning	1 <sup>st</sup>
Other problems	4 <sup>th</sup>

*Source : Compiled From Field Survey.*

To know the problems being faced by the respondents under the study they were asked to indicate their problems relating to mismanagement in Small-Scale Industries. As seen in the table No. 12 speaks that the respondents in the study area faces majorly the problems of mismanagement of decision making and proper planning have got **First Rank**. The next problem faced by respondents is mismanagement of adequate utilization of resources has got **Second Rank**. Another problem faced by the entrepreneurs is mismanagement of skilled labours has got **Third Rank** and other problems faced by respondents have got **Fourth Rank** as per the respondents. From the above it is clear that, majority of the respondents are lacking in decisions making and proper planning, which leads to decrease the production in turnover and profit of the business.

### Major Findings

Majority of entrepreneurs are suffering from major marketing problems such as lack of standardization, poor designing, poor quality, lack of quality control and other problems.

1. Majority of entrepreneurs are suffering from major marketing problems such as lack of standardization, poor designing, poor quality, lack of quality control and other problems.

2. Majority of entrepreneurs have number of reasons for decline sales volume such as poor finishing, lack of marketing knowledge, stiff competition and other reasons.
3. Majority of entrepreneurs are suffering from the problem of consumer preferences such as branded products, qualitative products, quantitative products and other preferences.
4. Majority of entrepreneurs are also suffering from problems of low sales turnover such as lack of raw material, lack of service after sale, inadequate supply of final products, lack of distribution contacts, lack of warehousing facilities and other problems.
5. Majority of entrepreneurs are suffering from number of general problems such as lack of infrastructure facilities, Rigid government rules, electricity problems, skilled labour problems and other problems.
6. The entrepreneurs are suffering from financial problems such as rising of capital, working capital problems, long term funds problems and Recovery problems etc.
7. The entrepreneurs are suffering from problems of strict legal formalities in financial institutions such as grant of inadequate finance, discriminatory treatment of SSI, demand for margin money, mortgage of loans/demand of security and other problems.
8. Majority of respondents are borrowing loans from money lenders where the respondents cannot borrow adequate finance to their units, there would be low investment, low production, irregular supply of goods, reduces sales volume and gives low profit.
9. Majority of entrepreneurs 53(60%) entrepreneurs are going to charged high rate of interest.
10. Majority of the respondents have line organisational structure which is a old pattern of organisational structure, where a single person manages all activities of the business.
11. The entrepreneurs are also suffering from the problem of mismanagement such as adequate utilization of resources, proper decision making, skilled labours, proper planning and other problems.

### **Suggestions**

The study becomes incomplete without any suggestions made to the problems so this becomes highly important aspect of the study.

The following are suggestions offered to the study.

1. A plate form should be given to female category to enter into the entrepreneurship in Davangere district. Government should offer special incentives to female category.
2. Some of entrepreneurs in Davangere district are less qualified, hence they might not have better decision making power. So, government must conduct some training facilities to entrepreneurs for development.
3. Financial institutions must offer some special incentives for small scale industries.
4. Financial institutions must issue additional finance to entrepreneurs without mortgage of assets because small scale industries possess only few assets.
5. Financial institutions should not discriminate between large-scale industries, medium-scale industries and small-scale industries equal importance must be given for all types of industries.
6. Government must help entrepreneurs in procuring raw material at lower costs.
7. Government must offer new technological equipment at lesser cost and there by reduces cost of production.
8. Entrepreneurs must be given regular electricity supply for continuity in work.
9. Davangere district is equipped with good infrastructure, but it is consumed by large and medium industries.
10. Further infrastructural facilities must be developed for entrepreneurs to show good performance.
11. Entrepreneurs must offer good wages to labours for regularity and also offer fringe benefits in order to increase the productivity.

### **Conclusion**

The present study was undertaken with an objective to know problems of Small Scale Industries in Davangere District.



The study has been successfully evaluated the problems of Small Scale Industries in Davangere District. But the Indian society, which calls for a rapid change and radical transformation at structural and functional level, should exploit the potentialities of human folk. One should get close access to advancement in technologies, market and working environment and entrepreneurial workshops, exposure to the national and international business environment etc, to make them fit for the battle of business.

Small entrepreneurs should be encouraged in starting ventures confidently, with more investment without failure and using modern technology. In this regard the government should ensure a speedy change from traditional occupation to modern business enterprises in order to take the maximum advantages of new markets, new technology available in the liberalized economy.