

## Problems and Prospects of Small Scale Industries in India

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India is facing the problem of unemployment in a big way. To make the situation worse there is paucity of capital resources and the unemployed cannot start their own industries. Small scale industry can provide the necessary solution. Small scale enterprises, according to the definition given by the government, is an undertaking with a fixed capital investment in plant and machinery not more than Rs. 10 lakhs irrespective of the number of the persons employed. These are generally divided into two main types-small scale enterprises and cottage industries. In the latter there is the greater use of the manual process. Moreover cottage industries are considered to be “almost entirely household enterprises” deriving their raw materials from local sources and sell most of their products in the local markets. So these are “rural, localized and technically backward”. In the earlier stages these grew around main commercial centres, mainly producing consumer’s goods. The Second World War caused a spurt in demand so more industries were set up. Similarly decline in imports also helped these industries to expand. At present there are more than four lakh industries of this type showing a gross output of six thousand crores.

The industries play an important role in the Indian economy. There are thirty industrial products which are produced only in the small-scale industrial sector. And there are fifty four industrial products in which small scale sector accounts for fifty per cent of the total industrial production. These industries have generated employment for nearly 70 lakh people. Still these industries have been subject of controversy. The Industrial Policy Resolution, while emphasizing the role of cottage industries pointed out that they “provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and facilitate and effective mobilization of capital resources and still which might otherwise remain unutilized”. It further pointed out that “some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small centres of industrial production all over the country.”

Small scale industries are considered to be labour-generating and create more employment per unit of capital employed. But some have challenged the validity of this arrangement. They say, employment should not be created for its own sake rather maximum and the most profitable use of the capital should be made. But if the productivity does not increase it is not possible to generate more employment.

The income generated in a large number of small enterprises is dispersed more widely. On the other hand large scale industries encourage concentration of

economic power. Apart from it as the small enterprises are proprietary or partnership concerns the relation between the workers and the employers are cordial. Some economists think that as there are no trade unions in these industries the employers exploit the workers to the maximum extent. So the employees in these industries do not get social benefits and are never economically better off. Small Industries pay low wages and generate less savings. In fact in the under developed countries the labourers have to make a choice between no job or low paid job.

Small scale industries help in dispersing the industries to different regions of the country. Concentration of industries near big cities starve the other parts of the country and encourage urbanisation. This type of decentralization will help in exploiting the resources of the regions. The problem of congestion will be solved.

Small enterprises are seriously handicapped and must be helped. These do not get raw material, imported components and equipment. Moreover they lack finance. Their internal resources are meager. These industries must be provided with short term and long term loans. Another problem faced by these is that of the technical assistance. At present there is arrangement for providing technical advice and assistance; the CSIO provides a staff of technically qualified people. But the assistance is underutilized. These also suffer from marketing problems. Though the government gives preference upto 15% on some of the products sold by the small firms and though NSIC assists them in getting greater share of government and defence purchases yet marketing responsibility has not been taken up.

One of the main aims of the small industries programme has been to protect such industries from competition from large scale industries. The Fourth Plan pointed out, "The operation of the industrial licensing system has not been effective in preventing competition from the large industries and in providing a required degree of protection.

The objectives for the development of the small industries in the Fourth Plan were to improve the production techniques, to promote decentralization and dispersal of industries and to promote agro-based industries. The principal objectives of the programme for the development of different small industries are to remove poverty and inequality in consumption standards of the persons, employed in these industries, through large scale opportunities for fuller and additional productive employment and improvement of their skills.

The ideal of just egalitarian society can be realized if we move towards an economy in which agriculture and small enterprises get primacy. The only way to steer clear of the evils of capitalism is to ensure full employment and the

decentralization of economic power. For this purpose employment oriented technologies should be adopted. This approach will end poverty by enlarging employment. But for achieving it some spheres of production will have to be reserved through statutory provision.