CHAPTER - 2
REVIEW OF LITERATURE

As mentioned earlier in chapter 1, to justify the need of the present study, we have to review the literature which is the subject matter of this chapter. There are various studies by various organizations & individual scholars in this area covering one or the other aspect. These are as under:

I. VILLAGE OR COTTAGE AND SMALL SCALE INDUSTRY

W.A. Lewis (1954)\(^1\) has strongly advocated the application of labor intensive techniques of production to have a steady and smooth economic growth. He opined that many important works can be done by human labor with very little capital. Efficient labor could be used to make even capital goods without using any scarce factors. In this sense, small scale and cottage industry should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital intensive techniques only when they are necessary.

According to the Industries Committee Report (1955)\(^2\), popularly known as Karve Committee Report, since a substantial number of the unemployed and underemployed belong to the village and small industries group, setting up of small scale and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they possess equipment. The committee realizes the necessity of introducing better techniques in the village industry, so that they can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

Khadi and Village Industries (1975)\(^3\) gave a gloomy picture of these industries as a source of employment in industrialization. The report shows
that the "compounded rates of growth of employment in these industries, as compared to growth of output, are very meager."

**Dasgupta (1983)** has recommended the establishment of small scale and cottage industries in the North-Eastern region of the country. He suggested that if labor intensive small scale industries are established, they will provide some alternative economic opportunities to the people in the hill areas of the region as the improved cultivation with multiple cropping is a difficult proposition in this area.

**Lianzela's (1994)** work is based on the economic development of Mizoram as a whole. He focused on various sectors of the economy and their development purely from the economic point of view. Although he put valuable suggestions and policy recommendations for the future development of the state, he did not give any specific strategy for the development of small scale and cottage industries in the state.

**According to Aruna Devi (1995)** industrial development is a precondition for the economic development of an underdeveloped region. She is of the opinion that industrial development in general and development of small scale and cottage industries in particular is bound to play an active role in connection with the economic development of an underdeveloped state, like Manipur.

**Rualkhuma (1997)** focused on the industrial development of Mizoram, which is indeed a geographical interpretation of the existing bottlenecks and problems rather than economic analysis. He laid stress on the development of small scale and village industries to boost the overall economic development of the region. His work did not give any concrete solutions on the existing problems and drawbacks of industrial development from economic perspective.
Purkayastha (2001) in his study "Development Banking and Industrialisation" examines how far industrialization has been taking place in Sikkim. The study is based mainly on the Secondary data collected from the SIDICO, IDBI and SIDBI, and covers a period of eighteen years, i.e., from 1977-78 to 1994-95. The study reveals that SIDICO laid a solid foundation for village and small scale industries in this infant state. However, many small scale units are in morbid condition. The overall performance of the SIDICO is not satisfactory. The study recommends that the corporation must launch an efficient recovery drive, exerting all possible social and legal pressures.

II. SMALL SCALE INDUSTRY:

A study of UNIDO (1969) based on evidence from a number of developing countries, indicates that "small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises".

Pande (1983) explained few causes that attributes to the slow growth of small scale industries in hill areas. The small scale industrial units in the village area and suburban localities suffer from a considerable degree of technological obsolescence, inadequate of raw materials, dearth of marketing channels, unawareness of market situation in urban centers, poor credit facilities and the shortage of skilled labor and power supplies.

According to Vepa (1983) the growth of small industries is interrelated with the growth of resources, which, in turn, leads to accelerating the economic growth of the country. The author suggests that the small sector should be developed from the grass root level. Proper development of smaller units strengthens the economy in a big way by facilitating the optimum use of raw material, infrastructural facilities and human resource, apart from being instrumental in the development of backward areas.
Agarwal (1988)\textsuperscript{12} has emphasized that the importance of small scale and cottage industries is more in the absence of large and medium industries in the North-Eastern region. He mentioned some of the specific exogenous factors leading to bad industrial health in the region. These are absence of effective industrial policy and adhocism in Government decision at the state level as well as industry wise decisions, prolongation of gestation period due to the infrastructure deficiencies and weakness of supporting services, uncertainties and shortage of essential raw material and construction material supplies, defective sales tax regulations, high power tariffs and transportation costs etc, defective capital base and operational plans, shortage of working capital, non-availability of trained and experienced personnel and old techniques of production and lack of quality control.

Ganguly (1988)\textsuperscript{13} studies the performance, policies, problems and prospects of the small scale industrial sector. Study reveals that the sector suffers from various problems such as inadequacy of raw materials and financial assistance, lack of effective marketing and encroachment on the areas reserved for SSIs by large and medium sectors, conscious efforts of the govt. to promote the small sector not with standing. But the author maintains the view that the faster growth of the medium and large scale sectors considerably.

Balu (1991)\textsuperscript{14} examined the overall financing of small scale industries and also the contribution of the financial institutions and banks in financing small scale units. The study is mainly based on primary data and covering a sample of 150 small scale entrepreneurs spread over Madras city. It has been found that the entrepreneur with non business background relied heavily on external sources like banks and other financial institutions. They face problems like delay in sanction and disbursement, inadequacy of loan,
insistence for collateral security, impersonal and non cooperative attitude of the officials. A single agency approach has been recommended as a solution to these problems in the study.

**Bhave (1991)**\(^{15}\) has analysed the role of Maharastra State Financial Corporation (MSFC) in industrial development of the State. He observed that the assistance given to developing and backward areas accounts for 73 percent which goes to SSI.

**Gibson (1992)**\(^{16}\) describes the role of financial information in the Austrian model, as decision makers do not need financial information to help them determine if their capacity to generate future profit has been impaired. There is no assumption that financial information has any other role. It is not assumed that future oriented information will be used in evaluating the means by which desired ends can be achieved. Austrian economics offers no opportunity to prescribe a use for information in the decision making process.

**Nayak Committee (1992)**\(^{17}\) deals with the question of adequacy and timeliness of credit made available to small scale sector. It further observed that small scale sector was getting working capital to the extent of 8.1 percent of its annual output which was less than the normative requirement of 20 percent.

**Sandesara (1993)**\(^{18}\) studied the performance of SSIs producing reserved items collecting data from the second census conducted by the Ministry of SSIs. The study examined the null hypothesis that the SSI firms producing reserved category items should perform better than the SSIs producing non-reserved items. The study result revealed that capacity utilization in 1987-88 and aggregate change in production in 1987-88 were both lower for reserved than for unreserved items.
Subramanian and Pillai (1994) in their article reported a survey of small industries in Kerala and compared their performance with the small industries in other major states and with all India average. The poor performance of small industries in Kerala is attributable to low capacity utilization, low factor productivity, unfavourable usage-productivity relationship and industrial 'sickness' following severe financial and marketing problems. The performance of the small sector in Kerala could be improved by changing growth strategies which may enable them to reap economies of scale and lead to sectoral linkages and agglomeration.

Sharma and Diwan (1994) provided a comprehensive insight into the small scale sector of India. Author found that over the years, this sector has exhibited a tremendous amount of resilience and ability to diversify and improve its performance and further, the process of liberalization and market reforms have provided tremendous opportunities for growth of small enterprises. Further in the study, to assess the response of SSI sector and its ability to reposition itself in the changed business environment, a SWOT (Strength, Weakness, Opportunity, Threat) analysis of small scale sector was carried out. The author argues that with the opening up of the economy, there is a big opportunity for SSIs to enter into profitable relationships with large and medium units.

Rudramurty (1995) in his work entitled "Institutional Finance for the Development of small scale industries in Karnataka", applies both micro arid macro approaches. The major objective of this study is to evaluate the impact of institutional finance on industrial development. The study reveals that industrial development without the development of SSIs is incomplete as the employment of abundant man-power and the exploitation of abundant resources are not possible without the growth of SSIs. Financing of SSIs to
the turn of 69% is done by Karnataka State Financial Corporations while the contribution of the commercial banks is restricted to 13% only.

**Chattopadhyay (1995)** with the help of primary and secondary data discusses the causes and solutions of industrial sickness in India. By using various mathematical and statistical tools like financial ratios and multiple regression, it has been observed that sick industrial units have been suffering from managerial inefficiency, demand recession, obsolete plant and machinery and labor problems. Sufficient financial aid from financial institutions is not forthcoming. Policies framed by the govt. need to be implemented strictly to being about improvement in the situations.

**Jain (1996)** observes that liberalisation has, compelled Indian firms to improve product quality, internal productivity and reduce costs through a combination of organisational restructuring, downsizing, process re-engineering and computerisation. But all this will not suffice. Much more needs to be done. Indian firms should use innovation, entrepreneurship and information technology in strategy and corporate philosophy to cope with growing challenges in the globalised market.

**Nath (1996)** performed inter-state comparison of relative efficiency in small scale industry of India using the data culled out from the reports in second all India census of small scale industrial units conducted in 1988-89. The study comes up with the results that in Maharashtra and Madhya Pradesh, most of the small scale industries are relatively more efficient than in other states. However, in Andhra Pradesh, Bihar, Kerala, Tamil Nadu and West Bengal they were relatively less efficient.

**Bhatia (1997)** in his study addresses to the impact of New Economic Policy on the industrial development of Punjab. In 1966, the share of manufacturing sector in state's income was barely 9 percent but after mid
eighties it started increasing. The picture of industrial sector in respect of employment even in the post-liberalization period is very dismal. SSIs being labor intensive, could contribute significantly to tackling the problem of unemployment. Small sector being less capital intensive and more employment. Generating must be promoted to fight the ever swelling problem of unemployment.

Sidhu (1997)\textsuperscript{26} in her study concentrates mainly on chemical industries in the states of Gujrat, Maharastra and Tamil Nadu and the study is divided into four parts. Part -I reveals the growth of chemical industries in the selected States vis-a-vis the whole of India, Part -II examines partial and total factor productivity, in Part III the output elasticity marginal productivity of factor productivity and returns to scale are estimated and Part IV is devoted to estimation of elasticity of substitution. The trends of TFP are measured through four different methods viz (a) Direct method (b) Kendrick Method (c) Solow Method and (d) Divisia Method. The analysis indicates that the chemical industry in Gujrat and Maharastra is experiencing increasing returns to scale while in Tamil Nadu this industry is experiencing decreasing returns.

Justus (1997)\textsuperscript{27} points out that small scale industry plays an important role in the economic development of a country. The promotion of small scale industry is of paramount importance in any industrially backward region or country. The small scale sector has certain inherent advantages like low capital intensity, high employment generation, more equitable distribution of income and wider dispersal of industries. So, small scale sector needs to be given more incentives and financial assistance to enable it to come out of 'red' or 'sickness'.

Kumar (1997)\textsuperscript{28} brings out that the small scale sector has played a vital role in the overall economic development of a country like India where
millions of people are unemployed or underemployed and most of the entrepreneurs are capable of making only small investment. The small scale enterprises are also considered an important instrument for promoting rapid industrial growth by providing greater employment opportunities, reducing regional disparities and removing economic backwardness of the rural and underdeveloped areas of the country. The study concludes that the small scale sector performed extremely well in all spheres of industrial activities i.e. production, investment and export during the period from 1973-74 to 1993-94.

Abid Hussain Committee (1997) reiterated the recommendations of Nayak Committee in general and recommended introduction of innovative finance and made a case for higher earmarking of credit for tiny sector units among small scale units.

Gangopadhyay and Wadhwa (1998) analyse the changing pattern of labor productivity labor costs and TFP in Indian industries over the period from 1973-74 to 1993-94 at the disagreed level. They divided the entire study period into two sub periods, 1973-84 and 1984-94. It was found that the increase in capital intensity was accompanied by gains in labor productivity. The rate of growth of labor productivity was consistently higher in the second sub-period in all industries. The rising labor productivity, capital deepening and falling labor costs were accompanied by a rise in the rate of growth of employment and wages. Total factor productivity growth (TFPG) was estimated by two methods, the growth accounting approach and the production function approach. The analysis of estimates of TFPG obtained from Translog index showed that the front-runner in the TFPG performance was the export-driven industries. The results of panel estimation of the Translog production function with and without industry effects showed: (1)
TFP grew at the rate negative two percent during the period 1973-74, and (2) technical change was not Hicks-neural, but capital augmenting. The author mentioned that their results are in contrast to the results of the Ahluwalia's (1991) in the following respects; (i) the present study confirmed a labor saving, bias in technical change while the Ahluwalia's study found a capital-saving bias (ii) Ahluwalia found a structural break in TFPG since 1982-83 while no such structural break in TFPG from 1980 to 1992 was noticed.

Neogi and Ghosh (1998)\textsuperscript{31} tries to see the impact of liberalization on the performance of four selected industry groups, namely, (i) chemical, (ii) textile, (iii) non-metallic mineral products and (iv) electrical machinery, by using firm level data for the period between 1989-94. The performance indicators chosen to verify the impact of economic reform on the firms were growth of value-addition, capital intensity, labor productivity and total factor productivity. The results indicate that productivity growth and efficiency levels have not improved as per expectations, during the post reform period and the distribution of efficiency is skewed. The level of technical efficiency for all the industries was found to be very low and no significant improvement was observed in this level during the post reform period.

Sidhu (1998)\textsuperscript{32} in her paper examines the applicability of Verdoorn's law vis-avis SSIs in India. Verdoorn's law states that over a longer period there is a fairly constant relationship between the growth in output and the growth in labor productivity. The law concludes that average values of elasticity of production with respect to output is around 0.45 which may vary within a broad range of 0.41 to 0.57. For study, both time series and cross sectional techniques are used and the data have been arranged for the period between 1973-93. The study provides a mix response to the applicability of the law to SSIs. Time series analysis confirms the applicability of the law to
SSIs. Time series analysis confirms the applicability of the law for the period between 1981 - 1993 but does not confirm it for the period between 1973 - 1981. On the other hand, cross sectional analysis confirms the applicability only after taking into account the growth in output and the growth in the productivity of labor.

Narashimham Committee (1998)\textsuperscript{33} observes and suggests that State financial corporations, and State industrial development corporations set up in different states have played a significant role in providing credit, finance and escort services to the small and medium industrial units. However, the financial health of most of the state level institutions leaves much to be desired. The recovery rate of SFC's averages nearly 37 percent of demand and the NPA's constituted 39 percent of the loan portfolio of the SFC's. This needs correction as a first step towards the eventual disinvestment by the state. There is also a need for restructuring of the all state level institutions into a single state level financial institution.

Rao and Chandershekar (1998)\textsuperscript{34} in their paper try to identify the problems faced by handloom weavers and analyse the various schemes for the upliftment of the handloom sector. On reviewing the schemes, the authors maintain that the purpose of the schemes has not been achieved, as the economic condition of the weavers have remained abysmal as ever before. Competition from the organised mills and powerlooms have further worsened the situation of the industry. The percentage share of handlooms in the total cloth production declined from 35-40 percent 10 years ago, to around 20 percent. Globalisation too, has contributed to the miseries of handloom industry. Inspite of all this, the authors are of the opinion that the Indian handloom products, because of their natural fibre base, unique design, texture and aesthetic appeal have tremendous potential if their exports one boosted and incentivized.
Khanka (1998)\textsuperscript{35} in his study observed that the development of small scale industries in Assam is at low level because of inadequate infrastructural facilities, problems of finance, marketing and insurgency. Therefore, for industrial development, Government should create infrastructural facilities like transport, communication, power, energy etc. Moreover, state level techno-economic survey should be carried out to explore possibilities for developing specific industries successfully. Local people should be motivated to promote entrepreneurial spirit in the region. Government should take strong initiatives to curb insurgency in the region to make congenial climate for industrialization.

Anbumani, V. and Ganesan S (1999)\textsuperscript{36} on the basis of census data of small scale food product industrial units of Coimbatore district, estimated CES production function with the objective to estimate substitution parameter, returns to scale and operational efficiency. Study reveals that out of 14 sub groups, most of the industrial units show increasing returns to scale and the result are statistically significant. Authors identify the reason for high capital output ratio as high capital intensity. Therefore, they have suggested the induction of more labor force to increase the capital productivity.

Kaur (1999)\textsuperscript{37} in her "Operational Performance of State Financial Corporation (A case study of PFC)"\textsuperscript{a}, carries out the study into two sections: growth of sanctions and disbursements, purpose-wise, organisation-wise and sector-wise analysis of assistance, has been made in section-I and operational performance of PFC has been evaluated from beneficiaries' view point in section-II of this study. It is observed from the study that the purpose wise analysis of the assistance by the PFC reveals wide gaps. Rationalization, modernization and rehabilitation etc., have remained neglected inspite of the fact that these aspects of industrialization are very important in the changing economic scenario.
Neelamegam and Inigo (1999)\textsuperscript{38} in their study discussed the financial aspects of the SSIs. Three districts of Tamil Nadu, SSIs are contributing in providing employment opportunities, increase in production. It has been found that managerial inefficiency is the most serious problem. The study made empirical analysis especially for textile & engineering goods industries and observed that mere recommendations and enactment of policies are not enough unless proper implementation is ensured. Therefore, Government should take necessary steps as it is highly desirable to tackle the problem.

Agarwal (1999)\textsuperscript{39} mentioned that the entrepreneurs of small scale industries are generally lacking in knowledge of various aspects as how to set up an industry. Owing to the predominance of agricultural background of the region, the infrastructure for industrial development has not developed properly. Apart from lack of industrial tradition and managerial class, the state is handicapped by difficult terrain and disturbed socio-political conditions are also adversely affecting industrialization in the state.

Rajendran (1999)\textsuperscript{40} made a study to examine the various kinds of assistance given to small scale industries with the prime objective of identifying institutional assistance for the development of small scale industries and the problems faced by these industries in Tiruchirapalli district of Kerela. He concluded that the greatest problem faced by the small entrepreneurs was no availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There were complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.
Ramesha (1999) discusses the state-wise variation in credit advancement to SSIs by Scheduled Commercial Banks (SCBs). Exponential Function has been used to estimate the compound growth rates while coefficient of variation for measuring disparity. The study reveals that credit advancement by commercial banks to the sector has increased over time. However, this growth is does not match the needs of the sector. It further reveals that inter-state disparities would have been acceptable if these had been in accordance with the state wise contribution of SSI sector in the total output. But the study shows that major contributing states like Madhya Pradesh, Bihar and Orissa are credit strapped while Maharashtra, West Bengal, Karnataka and Punjab take away greater chunk of credit supply though their contribution in total output is comparatively low. These disparities need to be addressed.

Dangwal and Negi (1999) in their paper examined the "institutional Finance and Industrialization (A case study of UPFC)". In this paper an attempt has been made to analyze critically the financial assistance sanctioned and disbursed by the Utter Pradesh Financial Corporation in its various financing schemes. The study reveals that the bulk of financial assistance has been sanction and disbursed by the UPFC to small scale in Industries. The study reveals that the total finance sanctioned showed an impressive rise but the magnitude of increase in disbursement was less pronounced.

Kar (1999) discusses the problems faced by the SSIs and lending institutions, and make an attempt to find probable solutions in her empirical sample study of 106 small scale industries of Orissa. The study aims at assessing the repayment capacity of SSI units with the help of financial ratios, using a discriminant function, and on the basis of findings concludes that
units with very high working capital-sales ratio are likely to fail. The author explains that overestimated sales and underestimated costs result in losses—and, therefore, many units fail to repay loans while some others have no intention to pay. The accumulation of expertise and experience in lending and further improved screening and effective supervision procedures can reduce the losses of the lending institutions to the SSIs.

Mohanty and Kar (1999) in their paper try to analyse the impact of credit rationing undertaken by banks on the functioning of SSI units financed by them. The paper essentially confirms, on an empirical basis, that credit constraints from banks affect the overall well being of the SSI units so financed. Investment in fixed assets without proportionate working capital provision adversely affects the functioning and profitability of the small units.

Kumar, Sunil (2000) explore the effect of various variables in explaining the Inter-State differentials in total productivity growth of Indian Manufacturing sector. The industrially developed states experienced either a decline or a low growth in TFP during 1969-95. The deregulatory policy regime imparted a positive effect on the TFP growth at national and state levels during 1980s. The most recent phase of liberalisation since 1991 has failed to make any significant dent on TFP growth pattern of Indian manufacturing sector. Average Annual growth rate of TFP fell from 2.146 percent for pre-liberalisation period to -.967 percent during liberalization period in the case of Haryana state while in the area of Punjab it has increased rapidly.

Paul and Ramanathan (2000) in their paper examine the two main objectives, i.e., to trace out the sources of industrial finance in India and to analyse whether there is any structural shift in the industrial production as a result of economic reforms. The study is based on the secondary data, and to
analyse the result—a log-linear regression equation is estimated through Ordinary Least Square Method. From the estimated results of the regression equation, they conclude that the economic reforms have not brought spurt in industrial production. This calls for increased investment, which has to be focused for sustained growth in industrial sector. It also reveals that bank credit constitutes two thirds of the total credit to the industrial sector and still continues as an important source of finance for small scale industries.

Prasad (2000)\(^47\) observed that the timely an adequate availability of credit is crucial input for all kinds of production including that by small scale enterprise. The right amount of financial assistance is a sine quo non for the growth of small scale enterprises.

Kulkarni (2001)\(^48\) in his paper "Financial Structure for Backward Area Development" examines the credit flow of the financial institutions including the banking sectors. The study reveals that the three major financial development institutions viz, IDIBI, IFCI and ICICI are providing a major share of assistance for promotion and development of large and medium industries in specified backward areas, due to better infrastructural facilities available in the backward districts of the better developed states, viz Haryana, Punjab, Gujrat and Kerala etc. This study also reveals that during the last three decades or so, SFC's have contributed substantially to investment activity in the industrial sector especially the small scale sector.

Kumar (2001)\(^49\) endeavours to analyse regional variations in technical efficiency of Indian manufacturing sector using the method of SFA. The results revealed wide variations in the technical efficiency of manufacturing sectors of different states. The highest level of technical efficiency has been observed in the manufacturing sector of Maharashtra. The states of Maharashtra, Karnataka, Gujarat and Haryana operate close to
maximum technically feasible production levels since their manufacturing sectors have realised more than 90 percent of their technical potentials. In the remaining 11 states including the industrially developed states of West Bengal and Tamil Nadu, the level of technical efficiency has been observed to be less than 80 percent. It has been found that the mean technical efficiency for 15 states was 77 percent.

Vasudeva (2001)\textsuperscript{50} discusses the role, challenges and opportunities for small scale sector under WTO regime. The small scale industry in India must brace itself for the challenges ahead or there will be dislocations in some of the highly protected sectors. The concern of the small sector enterprises development in India has generally been expressed in terms of parts rather than whole. Technology, credit, raw materials, etc. have often been highlighted as problem areas. It would not make any sense to continue with reservation of product lines alongside free imports. The government's continuous reluctance to do away with the reservation of items for SSI sector is unwarranted.

Eresi (2001)\textsuperscript{51} In his empirical study through random sample survey of 70 SSIs in 14 categories of Bangalore tries to find out the causes of industrial sickness and industrial failure. Author discovers that personnel related problems constituted one of the important reasons for failure, while others being lack of managerial experience, financial inadequacy, marketing problems and so on. Survey reveals that 92 percent of the sample units did not have personnel departments.

Choudhari (2002)\textsuperscript{52} with the help of two-digit and three digit level NIC data for manufacturing sector, using deflation and estimation of fixed capital stock, focused on the impact of India's economic reforms on its industrial structure and productivity, the study reveals a disappointing overall
performance of both growth of output and of employment. Author however, concludes that the situation is not the result of endogenous factors, but has arisen due to the framework of policies being followed under ongoing economic reforms. So the study suggests that efforts should be made to ensure that the demand is high enough for more output to be produced, more people to be employed and poverty to be reduced.

**Ganesan and Anbumani (2002)** in their study examine growth, marginal productivities, marginal rate of substitution and factor substitution in small metal products industry in Coimbatore district. Estimation of Cobb-Douglas production function reveals that out of 17 categories of industries, 9 product groups were indicating increasing returns to scale and most of the industries were capital intensive in nature. But here it is to be noted that marginal productivity of labor was higher than capital and even then entrepreneurs were employing more capital. Authors find that labor is cheap but argue that its management is very costly.

**Kumar (2002)** attempted to look into change in the growth patterns, levels of efficiency and technological changes which textile industry observed overtime. The capital efficiency in the industry has been deteriorating overtime as is reflected by the rising capital output ratio. The textile industry continues to bear the pains encountered during the macro adjustment process which call for changes in product mix as well as organisation in the face of changing demand and supply factors in the domestic market in particular and international market in general.

**Rajesh and Duraisamy (2002)** analyze the effect of economic reforms on Indian unorganized sector in general and on the manufacturing sector of Indian states in particular. The study identifies that one of the major problems confronting the Indian unorganized manufacturing sector is to
increase the level of production through improvement in productivity, leaving the employment-generation capacity of the sector untouched. Further, in productivity growth and efficiency aspects, a wide gap is noticed across the Indian states. A subsequent regression shows that there is a tendency towards convergence in the productivity growth rate across the Indian states. It suggests that technological upgradation needs to be prioritized if the output of the unorganized sector has to be improved.

Goel (2002) has diagnosed the problems of SSIs and talked about excellence models for management of SSIs in India. The products of the SSIs would be popular only if they satisfy the essential need of the customer (foreign as well as domestic) and is utilitarian. Glamour alone can not be a substitute for the basic requirements of Need, Affordability and Worth (NAW approach) of the product. To adopt and accept the normative approach to HRD in SSIs, it is essential to understand SIMPLE model of HRD consisting of six human development activities such as Spiritual development, Intuition development, Mental level development, Physical Development, Love-yourself attitude development and Emotional quotient (EQ) development.

Jain (2004) analyses the growth of small scale sector, government policy towards small scale sector along with problems faced by them due to globalisation in the pre and post liberalisation periods. Since small scale industry constitutes a very important segment of Indian economy. New policy initiatives since 1991 by the government have caused a shift in focus from protection to promotion. In the post-reforms period the government has taken a number of steps including partial de-reservation, change in investment limits, and facilities for foreign participation, establishment of growth centers, marketing assistance and incentives for quality improvements. The study
reveals that the problems of small scale sector are multi-dimensional especially in the liberalised environment.

**Nikaido (2004)**\(^{58}\) attempts to present some policy implications for the better development of small scale industrial sector which after the liberalisation of Indian economy in 1991, was recognised as a growth engine of the economy. The technical efficiency of this sector was measured by using a stochastic production frontier model. The industry state-wise data for industrial sector were drawn from the Second All India census of small scale units. Variables such as production, employment, fixed investment, capacity utilisation and the number of units were utilised. It is observed that due to competition with large industries and foreign firms, small scale industry has not had the incentive to grow into larger units, and has therefore ignored the quality of its goods. Moreover, agglomeration of firms was found to be positively affecting the measure of technical efficiency, while the firm size had a negative effect on it. Thus, the supporting policy itself might have prevented the potential capacity and innovative nature of small scale industrial sector. It is suggested that for the promotion of clusters, the government needs to support infrastructure around clusters and technological upgrading.

**Bala Subrahmanya (2004)**\(^{59}\) highlights the impact of globalization and domestic reforms on small-scale industries sector. The study states that small industry has suffered in terms of growth of units, employment, output and exports. The Researcher highlights that the policy changes have also thrown open new opportunities and markets for the small-scale industries sector. He suggests that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.
Rajyalakshmi (2004) reviews the productivity awareness among small CL scale industrial units in Visakhapatnam district of Andhra Pradesh at micro level and explores how small scale entrepreneurs they measure productivity in their units. The study is based on primary data collected by using structured schedule through personal interviews. A sample of 200 small scale industrial units was selected for the study and found that chemical units were more capital intensive as compared to food and agro units. The study concludes that success in small industry will be best achieved if the productivity culture is clearly understood by all the employees.

Latha (2005) highlights that small scale industrial sector has acquired a prominent place in the socio-economic development of the country during the last five decades. It has been assigned an important place commensurate with its potential for employment generation, dispersal of industry in rural areas and export promotion. To overcome the problems of small scale sector, government must provide additional facilities, schemes, incentives and encourage innovative activities of entrepreneurs for the development of this sector during the era of globalisation and competition.

Mahambare and Balasubramanyak (2005) analyses the impact of trade liberalisation on Indian manufacturing sector. The study evaluates the firm level technical efficiency in India since 1991 reforms by estimating Cobb-Douglas production function for thirteen manufacturing sectors. The study reveals the mixed impact of 1991 reforms on the selected manufacturing sector. Average technical efficiency of firms has increased in eight out of thirteen sectors studied. Improved access to imported technology in the post-reform period seems to have had a positive impact on efficiency. Although foreign owned firms continue to be the most-efficient, Yet their advantage in technical efficiency seems to have declined in the late 1990's.
Technology acquisition, efficient utilization of resources and infrastructure development are considered some of the factors which possibly contribute to the increase in total factor productivity growth.

Kumar (2006) estimates the trends in growth of total factor productivity of Indian chemical industries at the sub sectoral level. The study covers the period of 22 years from 1980-81 to 2001-02. The total factor productivity growth (TFPG) is estimated using Translog model with three inputs, viz. labor (L), capital (K) and the intermediate inputs (R) raw material consumed. The factor productivity growth rates are computed for the five major sub sectors of Indian chemical industries. The results shows that the impact of economic reforms on the productivity levels of an industry at the aggregate and sub-sectors level do vary significantly. While the net impact of the reforms process on total factor productivity growth was found to be poor at the aggregate level, the sectors: drugs and pharmaceutical, paints and varnishes, basic chemical and dyes and dyes stuff industries greatly benefited from the liberalization process.

Mishra (2006) in his study highlights the working of small scale industries in Orissa during the years 1996-97, 1998-99 and 2003-04. The period witnessed policy changes at different levels, which might have affected the working of manufacturing sector in general and manufacturing small scale industrial units in particular. The study is based on two benchmark studies conducted on the performance of the small scale industrial manufacturing units in five small industrial clusters in Orissa. The performance of small scale industrial units has been assessed by fitting the Cobb-Douglas production function for four financial years. Most of the units taken were raw material intensive and a few labor intensive, depending upon the type of product categories. Further, it was observed that no significant growth took
place in the factor productivity in any of the product categories over the two periods of time. The incidence of closure of these units in Orissa was found to be very high and the main reasons for the sickness and closure of small scale industries in the state were lack of demand, tax problem, competition in local markets, financial problems and attitude of the entrepreneurs.

Rathod (2007)\textsuperscript{65} evaluates the impact of globalisation on small scale industrial sector and finds that this sector has exhibited a striking export performance and shows that export has grown up-to double digits for the last ten years. The study concludes that both opportunities and challenges were raised as a result of globalisation on Indian Industry as a whole and the small scale sector in particular. Author suggests that there is need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment for the development of this sector.

Lozi (2008)\textsuperscript{66} examines the role of small scale industry in the economic development of Jordan and finds that growth of small scale industry in terms of employment, production and sales has increased due to globalisation and domestic liberalisation, but not as planned. Therefore, small scale industry should be encouraged to make a sustainable contribution to national income, employment and exports. Further, author makes some recommendations for the development of this sector; establishment of government centers in all districts of Jordan to provide the needed services and facilities to small scale industry. The author identifies marketing as one of the major problems of the small scale industries in Jordan.

Suresh and Shashidhar (2009)\textsuperscript{67} have conducted a study which highlights the importance of small scale industries and its role in economic development in the era of economic reforms and observe that significant
contribution has been by this sector in employment generation as well as rural industrialisation. It has also been noted that under the changing economic scenario, the small scale sector has the opportunities to explore through cost effectiveness, improving quality of the product and diversifying the production process. However, the challenges can be confronted by enhancing competitiveness at both intra- and international levels.

Bargal et al. (2009) examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-a-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

Gupta (2009) has studied the future prospects of small scale industrial sector of Punjab by using Auto Regressive Integrated Moving Average (ARIMA) model through Box-Jenkins to generate forecasts regarding variables of small scale industrial sector of Punjab. He expects that the number of units and employment would probably grow at a slower pace as compared to investment and production. The forecasts have depicted a bright picture ahead but with low scope for employment opportunities. These forecasts can provide Government and policy makers a direction to design policies accordingly to push up growth in this sector. Further, author suggests that drastic changes are required so far as industrial policy of Punjab is concerned and Punjab government should announce package of incentives not only for existing industrialists but also for new venturists.

Kumar (2009) in his study examines the growth pattern and productivity trends of small scale electrical machinery and parts industry in
Punjab and finds that despite the introduction of liberal policies, the number of units, fixed capital investment, direct employment and production have failed to show encouraging results. A massive decline in CAGR of the liberalisation period was observed for a number of units and employment. Clear deceleration was noticed in the growth of the other two variables production and fixed capital. Partial productivities of labor and capital have increased significantly, capital output ratio has fallen drastically and capital intensity has registered insignificant growth during the overall period of the study. Author suggests that the state administration should put in place a healthy, congenial and investment friendly policy and regulatory framework so that the small-scale sector in general, and the electrical machinery and parts industry in particular, may flourish in this fast changing competitive and globalised business environment.

**Bhavani T.A. (2010)** highlights the issue of quality employment generation by the SSIs and negates the short term attitude of increasing the volume of employment generation compromising with quality. The author argues that employment generation by the SSIs may be high in quantitative term but very low in quality. Technological upgradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce the rate of employment generation in the short run but would ensure high-income employment generation in the long run.

**Arora (2010)** examined capacity utilization, technical efficiency and total factor productivity growth in Indian sugar industry using the data for 31 years spanning over the period 1974-75 to 2004-05. The major cause observed for such amount of technical inefficiency is managerial technical inefficiency. The analysis of TFP growth reflects that the technical progress is
major source of output growth in Indian sugar industry during the post-reforms period. The analysis of impact of economic reforms delineates a precipitous decline in capacity utilization and technical efficiency during the post-reform period in comparison to the pre-reform period.

**Sanchita (2010)** observed that management problems and constraints experienced by women entrepreneurs in Small Scale industry of Haryana including lack of confidence, problems of finance, working capital, Socio-cultural barriers, production problems and inefficient marketing arrangements. To solve the management problems of for women entrepreneurs in Haryana specially in Small Scale sectors, there is a strong case for simple and systematic procedures at all administrative levels for ensuring the planned benefits to the needy women entrepreneurs for optimal utilization without underutilization and wastage of scarce financial resources.

**Subrahmanya Bala (2011)** has probed the impact of globalization on the exports potentials of the small enterprises. The study shows that share of SSI export in total export has increased in protection period but remain more or less stagnated during the liberalization period. However, the correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and SSI export has become stronger in liberalization period. Thus, the current policy of increasing competitiveness through infusion of improved technology, finance, and marketing techniques should be emphasized.

**Singh et al, (2012)** analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development
and strengthening of financial infrastructure to boost SSI and to achieve growth target.

III. SMALL AND MEDIUM ENTERPRISES:

Gibson & Wallschutzky (1992) interviewed 12 Australian SMEs concerning the role of accounting information in their strategic and operational decision making, indicate that 'Also necessary is a greater understanding of the role of accounting information has in managing small organizations and its association with performance.

Gupta (1996) examined the operational performance of HFC. This study reveals the fact that HFC is playing a vital role in financing and nurturing small and medium scale industrial units in all of the districts of the state, to remove regional imbalance in the industrial growth.

Singh (1998) highlighted that the small scale enterprises is the seed of industrial growth and while process germinates in the small enterprises. This sector is the next only to agriculture in providing opportunities for gainful employment. Study also revealed that the small scale industries often provide the soil and opportunities for innovation, research and increasing efficient ways of doing business. According to the author, the empirical evidence of research studies and over all trends has repeatedly shown that the small scale industry is competitive on its own.

Mali (1998) in his study has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high
growth area and they have to form strategic alliance with entrepreneurs of neighboring countries.

Sengupta (1998)\textsuperscript{80} suggested that technology management be recognized and calls for its upgradation in the dynamic environment of global competition. The paper throws light on the technological developments taking place in different sectors like banking, information and telecommunications, manufacturing, etc. and reserves scope for further innovations. The author called for improving the price and quality management, especially among the Small and Medium Enterprises (SMEs) and further recommends that the importance of environmental sustainability in relation to the new technological innovations be not ignored.

Ismail R. and Jajri (2001)\textsuperscript{81} study growth, total productivity and production function aspects of small and medium enterprises (SMEs) in the Malaysian manufacturing sector. Authors assert that SMEs play an important role in generating employment and supporting the large scale enterprises. In general, the results from the analysis in this paper reveal that SMEs have been benefited from technological progress by looking at their TFP except for some groups, where TFP is low. Further, among SMEs growth rate of output was found maximum in metal product industries and Cobb-Douglas production function estimates show that in most of the categories of SMEs, return to scale shows an increasing trend.

Dasanayaka (2011)\textsuperscript{82} conducts a study pertaining to global challenges for SMEs in Sri Lanka and Pakistan in comparative perspectives and found that small and medium scale enterprises/industries (SMEs) function as a lifeline in informal sectors of Pakistan and Sri Lanka due to their immense contribution in areas such as employment generation, exports, equitable income distribution, social stability, efficient domestic resource usage and
regional development. However, a large number of SMEs in both countries are struggling to survive in today's global competitive market. In spite of the various policy reforms, establishment of SME related apex bodies, incentives and assistance offered by the national governments in both the countries, SME sector has suffered on many fronts. Author suggests coherent policies and strategies to develop SME to their full potentials both in Sri Lanka and Pakistan under intense globalization move.

Dixit and Pandey (2011) applied cointegration analysis to examine the causal relationship between SMEs output, exports, employment, number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their study revealed the positive causality between SMEs output and India's GDP.

Venkatesh and Muthiah (2012) found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation.

IV. MICRO, SMALL AND MEDIUM ENTERPRISES:

Dinesha (2008) describes the importance of MSMEs and its contribution to social and economic development objectives like labor absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. The main finding of the study is that industry and government agencies can play a significant role in educating small units about the changes in the business environment and the necessity of going in for technological upgradation to succeed in the era of globalisation, liberalisation, WTO regime, when the United States and European Union economies are slowing down. The Chinese economy is posing ever increasing competition.
Sivalingam (2008)\(^{86}\) analyses the performance of micro and small enterprises in Tamilnadu for the period of 1991-92 to 2007-08 by applying regression model. The results based on the trend line show an annual average increase in MSME units, investment, employment and production. However, changes are visible in textile, leather and automobile sectors due to pressure of competition from domestic and international market. Further, analysis shows micro and small enterprises have recorded good performance, and are likely to meet the expectations of the planner in future as far as employment generation is concerned. Hence, the policy interventions should be based on support of infrastructure, direct catalytic subsidy, technical, information and marketing.

Sonia and Kansai Rajeev (2009)\(^{87}\) studied the effects of globalization on Micro, Small and Medium Enterprises (MSMEs) during pre and post liberalization from 1973-74 to 2008-09. They used four economic parameters namely number of units, production, employment and export and interpreted study results based on Annual Average Growth Rate (AAGR) calculation. AAGR in pre liberalization period (1973-74 to 1989-90) was higher in all selected parameters than that of post liberalization period (1991-92 to 2007-08). They concluded that MSMEs failed to put up an impressive performance in post reform era.

Singh (2010)\(^{88}\) conducts a study of rail coach factory, Kapurthala and its micro, small and medium ancillary units in Punjab, and computes annual compound growth rate, using primary and secondary data and finds that Punjab's industrial scene is mainly dominated by MSME's working as ancillary units for various parent firms. RCF and its ancillary units have encouraged employment generation in Punjab. Further there is no significant wage difference between small and medium units but significant wage
difference was between micro and small units on the one hand and between micro and medium units on the other. However, these entrepreneurs are not fully aware of the various forms of IPRS. Punjab government has taken various measures for the development of these units for multiple reasons like employment generation and promotion of entrepreneurship. The government of India is also contributing a great deal by dedicating it the rail coach factory to boost the economy of Punjab. There is a need of continuous research in this area which justifies the present study.
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