The role of small-scale industries for better utilization of local resources, providing more employment, moving towards a decentralised society and increasing supplies of consumer goods was emphasized in Industrial Policy Resolutions, Five Year Plan reports and several committee reports of the Governments of India and Punjab. It was claimed on behalf of the Governments that their policy was one of promoting small-scale industries. The present study was undertaken to examine this policy and the way it had worked. The following aspects of the policy were studied: financial assistance, marketing assistance, raw-material assistance, technical assistance, provision of power and labour policy.

While the policy could be discerned from documentary sources, the study of implementation required
a field study. It was decided to choose for the purpose the most developed State in India, that is Punjab, and within it, to make a sample survey in the District where small-scale industries had developed most, since it was here that the problems of implementation could be studied best. In less developed areas small-scale industries were likely to be small in number and so underdeveloped as not to be able to take advantage of programmes of assistance. Even in Ludhiana District we found that only a small number of entrepreneurs had benefitted from Government assistance programmes. In less developed areas the entrepreneurial activity and Governmental assistance might both be too small for purposeful study.

The State of Punjab had the highest per capita income (Rs.1,966) in India in 1977-78. Within it, Ludhiana District had the most developed small-scale sector. It had 10,507 registered working small-scale units in 1977-78, more than one fourth of those registered in Punjab (38,652), which had twelve districts. Ludhiana's exports of the products of the small-scale sector amounted to 63 per cent of those of the State. According to the Census of 1981, the District had a population of about 1.80 million. About half (49.4 per cent) of it was engaged in secondary and tertiary occupations, as against the State percentage of 37.4.
The universe for our survey consisted of all working small industrial units in Ludhiana District registered with the District Industries Office on 31 March 1979. According to the definition as adopted by the Government at this time, a small industrial unit was one having an investment in plant and machinery of Rs. one million or less. A stratified random sample of 150 units was chosen. The basis of stratification was the size of investment in plant and machinery as indicated at the time of registration. The ratio of sample units to the number of units in the universe was the same in all the strata.

The selected units comprised different manufacturing and servicing industries. These were located in urban and rural areas, a Focal Point, Industrial Areas and Industrial Estates. The effective sample was of 117 units. Thirty three units could not be located: they might have gone into liquidation; which suggests a high rate of liquidation amongst small industrial units. Entrepreneurs had long experience of working in their particular fields: 17 had experience of more than 20 years, 53 of 10-20 years, 28 of 5-10 years, 12 up to 5 years and 7 had none. For the sake of analysis the units were classified into three groups on the basis of investment in plant and machinery as on 31 March 1980, that is, at about the time the interviews were made. Units with investment up to Rs. 24,999 were put in the
In the low-investment group, Rs.25,000-199,000 in the medium-investment group and Rs.200,000-1,000,000 in the high-investment group. Thus, there were 57 units in the low-investment group, 46 in the medium-investment group and 14 in the high-investment group. In the low-investment group there were 25 proprietorships, 25 partnerships with relatives, and 7 with non-relatives. In the medium-investment group there were 5 proprietorships, 37 partnerships with relatives, and 4 with non-relatives. In the high-investment group, there was one proprietorship, 12 partnerships with relatives, and one with non-relatives.

**Organization**

Industry was a State subject under the Indian Constitution. Development of small-scale industries was, therefore, the responsibility primarily of the State Government. However, as in other fields of development, the basic policy was formulated at the Central level in consultation with the States, and implemented mainly by the State Government. At the Central level, policy formulation was dealt with by the Ministry of Industry and the Small-Scale Industries Board. The Development Commissioner, Small-Scale Industries, acted as the agency for coordinating the activities of the agencies in the Central and State Governments. He directly provided an industrial extension service to small
industries. The Small Industry Extension Training Institute imparted training to officials of Central and State Governments and potential entrepreneurs. The National Small Industries Corporation Ltd. provided assistance in the supply of machinery on easy instalments, training of workers and marketing. The Extension Centres of the Council of Scientific and Industrial Research provided technical assistance.

At the State level, the Department of Industries was under the charge of a Cabinet Minister, who was advised and assisted by a Secretariat Department consisting of a permanent Secretary and other officers. The Director of Industries was the executive agency. Its functionary in the District was the General Manager, District Industries Centre, and in the Block (part of a District) the Block Level Extension Officer. The State Board of Industries recommended subsidies under the Punjab State Aid to Industries Act, 1935; the District Loan Advisory Committee recommended loans under the same Act. Banks provided medium-term loans and working capital. The Punjab Financial Corporation was the term lending agency. The Punjab State Small Industries Corporation Ltd. procured and supplied scarce raw-materials, supplied machinery on a hire-purchase basis, provided infrastructural facilities and granted seed money and assistance in marketing. The Quality Marking Centres, Industrial Development cum Service Centres, the Ludhiana
Productivity Council and the Punjab Test House provided technical assistance.

The Knitwear Facility and the Central Tool Room set up under the United Nations Development Programme also provided technical assistance.

Matters relating to generation and supply of power were dealt with by the Ministry of Energy at the Central level and by the Punjab State Electricity Board at the State level. In the field of labour, which was mainly a Concurrent subject under the Constitution, legislation was mainly done by the Central Government but its implementation mainly by the States. Coordination was achieved through conferences of Central and State Ministers and high officials. At the State level the Labour Commissioner was the executive agency. Functionaries in the District were Labour-cum-Conciliation Officers, Factory Inspectors and Labour Inspectors. There was a Labour Court also at Ludhiana.

Financial Assistance: Loans

Our interviews with entrepreneurs indicated that small entrepreneurs obtained loans from institutional and non-institutional sources. Institutional sources comprised the Department of Industries, the Punjab Financial
Corporation, the Punjab State Small Industries Corporation Ltd. and banks. Non-institutional sources comprised friends and relatives and traders, who provided loans mainly in the form of raw-materials. The Department of Industries gave loans for working as well as fixed capital. The Punjab Financial Corporation gave loans for fixed assets. Banks mainly provided for working capital. The Punjab State Small Industries Corporation Ltd. provided seed money to the educated unemployed and engineer entrepreneurs.

Among institutional sources banks constituted the most important source. Loans from them amounted to 94.2 per cent of the total loans from institutional sources in the low-investment group, 92.4 per cent in the medium-investment group and 82.5 per cent in the high-investment group. The Department of Industries contributed 4.7 per cent of the loans coming from institutional sources to the low-investment group, 3.8 per cent to the medium-investment group and 0.8 per cent to the high-investment group. Loans from Government Corporations went only to the medium and high-investment units and amounted to 3.8 per cent and 16.7 per cent respectively of the total loans from institutional sources for these groups.

Seventy seven of the 117 entrepreneurs were able to secure loans from banks. Of the 57 low-investment units only 30 secured loans, amounting to 11.8 per cent of
the total advanced by banks; of the 46 medium-investment entrepreneurs 33 secured loans amounting to 36.8 per cent of the total; and all the 14 high-investment units secured loans amounting to 51.4 per cent of the total. Twenty eight of the 117 entrepreneurs obtained loans from the Department of Industries. Eight of the low-investment units secured loans amounting to 22.7 per cent of the total advanced by the Department of Industries; 16 of the medium-investment units secured loans amounting to 58.6 per cent of the total and four of the high-investment units secured loans amounting to 18.7 per cent. Only six entrepreneurs obtained loans from the Punjab Financial Corporation. Of these two belonged to the medium-investment group and secured loans amounting to 11.8 per cent of the total advanced by the Corporation. Four belonged to the high-investment group: they secured loans amounting to 88.2 per cent of the total from the Corporation. Taking loans from all the institutional sources into account we find that 63.5 per cent of the applicants of the low-investment group, 82.5 per cent of the medium-investment group and 100 per cent of the high-investment group were able to get them. This shows that the smaller the size of the unit, the lesser was its ability to borrow from institutional sources. A survey made by the Reserve Bank of India found that this was so in India as a whole.
We found that 27.7 per cent of the total loans in our sample came from friends, relatives and traders. 49.6 per cent of the total loans of the low-investment units, 31.4 per cent of the medium-investment ones and 17.7 per cent of the high-investment ones came from this source. Thus, generally speaking, the smaller the size of the unit, the greater was its dependence on non-institutional sources.

Among non-institutional sources, traders constituted an important source of credit. About half (49.9%) of the non-institutional loans came from them. They contributed as much as 71.2 per cent of non-institutional loans of the low-investment units, 39 per cent of the medium-investment and 45 per cent of the high-investment ones. The greater dependence of smaller units on traders affected their freedom of purchase, since the loan was often in the form of raw-materials sold by the trader.

The Punjab State Small Industries Corporation's programme of providing seed money was transferred in July 1980 to the Department of Industries, to be implemented by the District Industries Centres. However, in 1980-81, no loans were advanced in the Ludhiana District. Under the State Bank of India's programme of providing equity capital, no assistance was given to entrepreneurs in the District. Thus some of the programmes remained on paper only.
Entrepreneurs faced many problems relating to loans. One of the problems was lack of information. About 50 per cent of the entrepreneurs did not know that the Punjab Financial Corporation could give them financial assistance. Some of the conditions were stringent: the lower limit of loans from the Punjab Financial Corporation was Rs.10,000 and the Corporation granted loans for fixed assets only on condition that a bank sanctioned credit for working capital. The requirement of security and the high margin between the value of security and a loan created problems for smaller entrepreneurs in the small-scale sector. Banks often did not advance loans against receivables. Banks' programme of advancing loans against pledge of stocks created the problem of having to keep the raw materials or products locked.

An entrepreneur had to submit a plethora of documents along with the application form. For a loan from the Department of Industries, he had to give two affidavits with the application. For a loan from the Punjab Financial Corporation, the application was to be accompanied with as many as eleven documents; after the loan was sanctioned, the loanee had to execute seven documents before the amount was actually disbursed. For a loan from a bank, exhaustive information regarding the unit, its machines, organization, technical feasibility, economic feasibility, working capital,
investment, annual turnover and security was to be given; also the stock statement was to be submitted every month. Asking for a loan involved inspections and visits by various officers. These formalities daunted many an entrepreneur from applying for the loan. In our sample 22 entrepreneurs were not willing to apply.

Another problem of securing a loan related to delay and hence the need to pursue the application. Of the 28 entrepreneurs who got loans from the Department of Industries, two got them in a month, nine in six months and 17 in more than six months. For one unit it took as many as four years. In case of a loan from the Punjab Financial Corporation, the sanction normally took five to six months. In the case of loans from banks, eight out of 77 units secured these in a week, 21 in a month and 48 in more than six months. Delay was due to lengthy procedures and inefficiency and was partly intentional so as to obtain bribes. Entrepreneurs had to meet officials at different levels and bribe them.

Financial Assistance: Subsidies, Incentives and Hire-Purchase of Machinery

Financial assistance was also provided in the form of subsidies, incentives and the facility of purchase of machinery on instalments. Only those entrepreneurs whose
monthly income did not exceed Rs.300 were eligible for a subsidy of the maximum amount of Rs.10,000. For availing of the subsidy an initial capital of like amount was needed. Only 22 entrepreneurs availed of the subsidy in the period of five years (1975-1980) in Ludhiana District. In our sample, none availed of it. Sometimes the entrepreneurs to whom subsidy had been sanctioned could not avail of it because of the lack of initial matching capital.

Incentives were given by the Central and State Governments to encourage new investment and dispersal of industries to rural areas, Focal Points, Industrial Areas, Industrial Estates, Backward Areas and Bet Areas. Income tax concessions and excise duty concessions were availed of by all the eligible units in the sample. As regards the incentives provided by the State Government for dispersal of small industries, 151 small entrepreneurs of Ludhiana District availed of the facility of interest-free loan and four of the exemption from electricity duty. In our sample only one entrepreneur availed of an interest-free loan and one of the exemption from electricity duty. Other incentives like subsidy in electricity tariff for power-based industries, investment loan for priority industries, soft loan against the cost of feasibility report and land subsidy were not availed of by small entrepreneurs in Ludhiana District. This
was because of the lack of information, cumbersome procedure and delay. The objective of attracting entrepreneurs to Focal Points had been fulfilled in our universe: the number of applicants exceeded that of the industrial plots at Dhandari Kalan. The success at Dhandari Kalan was due to the combined availability of infrastructural facilities and incentives; by contrast, in areas such as the Bet area, where the infrastructure was underdeveloped, incentives were also not availed of. At the Focal Point of Khanna, of the 183 plots only six had functioning units.

The facility of purchasing machines on hire-purchase from the National Small Industries Corporation Ltd. (NSIC) did not help entrepreneurs much: in the period of four years (1976-80) only one entrepreneur in our sample and 20 in the District purchased machinery on hire-purchase. One of the problems related to lack of information. Sixty one per cent of the entrepreneurs did not know about the hire-purchase programme. The terms and conditions of the NSIC were comparable to those of other lending institutions, except for the fact that the NSIC gave the machine while other agencies gave money. The entrepreneur often preferred the latter since it gave him the opportunity to exercise his choice at a later point of time, perhaps in favour of a newer model since many months might lie between the Indent and the receipt. According to a study made by the NSIC itself
relating to the whole of India it had taken 18 months or more to get the machinery in 39 per cent of the cases. The Punjab State Small Industries Corporation Ltd. supplied machines on a hire-purchase basis to the educated unemployed. In a period of seven years (1973-80) 120 entrepreneurs obtained machines. Of these 51 belonged to the Ludhiana District, and only one to our sample. The main attraction of the programme was the absence of the requirement of a security. The scheme had to be discontinued because of the problem of recovery: 80 per cent of the amount was overdue. While the requirement of security created problems for entrepreneurs, its absence led to non-recovery of funds.

Marketing Assistance

The sale of our sample units over the period of five years (1975-80) indicated a slightly rising trend. As expected, the sales of the high-investment group were the highest. Some of the entrepreneurs in the low-investment group combined trade with manufacturing, thus making for a higher average than in the medium-investment group. Three methods of marketing were prevalent: direct dealing with the buyer at the factory level, selling through branches, and through commission agents. The procedure for choosing the method of sale was determined by trial and error. The wholesaler was the most important purchaser: 76 of the 117
entrepreneurs sold to him. The main reasons for dependence on the wholesaler were the lack of proper organization for sales and the inability of the small entrepreneur to keep his capital locked in unsold products. The smaller the size of the unit, the greater was its compulsion to sell for cash to the wholesaler, and the lower its return. Most of the products were sold in an unbranded form to assemblers who put their own trade mark and made much profit. Only 20 of the sample units had a trade mark of their own. Fifty five of the 117 entrepreneurs sold throughout the country, and nine not only in the country but in the export market also. However, the area of sale was not selected on the basis of any market research or information.

The programmes for marketing assistance aimed at promotion, regulation and direct assistance. Promotional programmes comprised market research and information, publicity of products, quality marking and development of ancillary units. Market research was made through distribution aid surveys and regional market surveys conducted by the Small Industries Service Institute. A market survey of the products of Punjab was made by the Punjab Industrial Consultancy Organization and the Administrative Staff College of India, Hyderabad, for the Department of Industries. However, entrepreneurs were not benefitted by these surveys because the findings were not given publicity. Market information was
proposed to be supplied by circulating notices relating to purchase requirements of Government Departments and trade enquiries of Export Promotion Councils. Entrepreneurs, however, did not receive the information due to the inefficiency of the District Industries Centre. Products of small industry were given publicity through directories of manufacturers published by the Small Industries Service Institute, Ludhiana, and the Department of Industries. However, most of the entrepreneurs did not know of the existence of these directories. Trade fairs were organised by the State Government. In our sample, only fourteen units participated in these fairs. Thin participation in trade fairs was due to a number of factors such as lack of Government assistance, high cost of stalls, lack of novelty in the product and fear of losing samples. The Government assisted four entrepreneurs in participating in trade fairs: all of them belonged to the high-investment group. A Trade Centre was set up at Ludhiana to display the products of small industry. It was closed after only a few months because of financial problems. Quality Marking Centres had little impact: their membership was very small. The seal of quality could apparently be obtained illegitimately for a consideration.

The Central Government took several steps to encourage ancillary units. Inter-departmental teams were set up to identify items which could be produced by ancillary
units. The Bureau of Public Enterprises issued detailed guidelines to public sector undertakings for the promotion of ancillary units. A sub-contracting exchange was set up in the Small Industries Service Institute, Ludhiana. However, no ancillary unit developed in Ludhiana District.

To protect small entrepreneurs from undue competition by large ones, some goods were reserved for manufacture exclusively by the small-scale sector; the capacity of existing large-scale units was jammed except for producing for exports and the development of ancillaries. Large-scale industries often expanded their production beyond the licensed capacity without prior permission, thus defeating the policy.

Direct assistance comprised sale by mobile vans, wholesale depots, emporia and sale under the Government Purchase Programme. There was a proposal for assuring purchase by Government agencies of products of tiny units' up to 20 per cent of their produce; it had yet to be put into practice. Direct assistance through sale vans and wholesale depots was given up because of financial difficulties. Emporia helped to some extent in the sale of hosiery items. Under the Government Purchase Programme, the small-scale sector was given 15 per cent price preference over the large and medium-scale sector. Some items were reserved for exclusive purchase from small industries. However,
the programme did not help small entrepreneurs much. In Ludhiana District, 18 units were registered with the National Small Industries Corporation Ltd.; in our sample only one unit was registered. Nine of the sample units sold to the Central or State Government Departments but none of these was assisted in making sales by any one of the Government agencies - the National Small Industries Corporation, the Director General of Supplies and Disposals, the Punjab State Small Industries Corporation Ltd. and the Controller of Stores. One of the problems of sale to Government Departments related to lack of publicity. Sixty per cent of the entrepreneurs were ignorant that there were Government agencies for assisting them in participating in the Government Purchase Programme. Twenty one per cent were under the impression that these agencies catered only to large and medium industries. There were procedural problems also. Registration with the National Small Industries Corporation for the Government Purchase Programme meant filling up fourteen documents with the application form. The grant of 15 per cent price preference was withheld on flimsy grounds. Payment of bills by Government Departments took a long time ranging from six months to over one year. Almost all these problems were accentuated by the lack of integrity on the part of both Government officials and industrialists. At all stages entrepreneurs had to bribe officials who dealt
with purchase. Sometimes they also pressured them to buy sub-standard goods.

The Government of Punjab provided assistance and incentives for export. In the Ludhiana District, exports of the small-scale sector were more than those of the large and medium-scale sector. In our sample, nine entrepreneurs produced goods for export but only one exported them directly. Others fabricated goods for large manufacturers or export houses. The export trade was monopolised by a few manufacturers. Small entrepreneurs faced many problems in undertaking direct export. Only those who were members of Export Promotion Councils could export; however, only those could be members who had an export order. There were the additional problems of filling a plethora of forms and approaching different agencies for obtaining the incentives.

**Raw-Material Assistance**

Small entrepreneurs faced problems in obtaining raw-materials. These were most serious in the case of iron and steel. The small-scale sector was discriminated against in the allocation of raw-materials. Allocation of scarce raw-materials was made by the Government of India to States. Out of the State quota, small-scale industries were allotted materials on the basis of assessed capacity.
issues in this connection were decided by a Committee in the State Department of Industries. Iron and Steel was made available through the Punjab State Small Industries Corporation. Paraffin wax and cement were controlled items: their sale and purchase had to be made under a licence. Furnace oil was supplied on ration cards issued by the Indian Oil Corporation. Coal was not a controlled item; its shortage was due to that of rail wagons. Transportation by road cost four times that of transportation by rail. The sample entrepreneurs obtained 5-25 per cent of their requirements of scarce raw-materials through the Government's allocation system. This was true for the whole of Ludhiana District also. Advance security was required for obtaining iron and steel. This however, did not ensure its supply. It also blocked a part of the small capital of a small entrepreneur. Supply of raw-materials was not regular and timely. The size of the unit and the availability of raw-materials were related. Political and other pressures also played an important role. There was evidence of the sale of delivery orders by some units. Such units were found in our sample, District and State. Some raw-material was cornered by units which were mere extensions of the large-scale sector.

Entrepreneurs had to purchase raw-materials from the market at a high premium over their controlled prices. There were sizeable differences between controlled prices and market prices. The smaller the size of the unit, the greater was its
resort to the retailer rather than the wholesaler, and hence the higher the price. Thus within the small-scale sector also, smaller units were at a disadvantage as compared to bigger units.

**Technical Assistance**

Technical assistance was provided under the modernization programme and through industrial research, technical training, technical advisory and consultancy services, testing facilities and common facility services.

The object of the modernization programme was to assist entrepreneurs in introducing latest techniques of production, with modern equipment and machinery, for better productivity. The programme was run by the Small Industries Service Institute and the Government of Punjab. The latter provided incentives in the form of subsidy and loan at concessional rates. Two hundred and thirty two units were registered for the programme in the State. Of these 61 belonged to Ludhiana District, including one of our sample. In the whole of Punjab State 14 units were provided with a subsidy. The programme, thus, had little impact. Sixty nine per cent of the entrepreneurs were ignorant about the programme. Another problem related to the lack of finance for introducing modernization.
Industrial research was undertaken by the Extension Centres of the Mechanical Engineering Research and Development Organization (MERADO) and the Central Food Technological Research Institute Experiment Station located at Ludhiana. The research findings of these centres, if put to use, could have helped the industry; however there was in reality no extension service. Ninety six of the 117 entrepreneurs were unaware of the existence of these so-called Extension Centres. In any case, these were of utility to large-scale industry only because small entrepreneurs were not in a position to pay the royalties needed for sponsoring research projects.

Technical training courses were not attended by entrepreneurs. Only two entrepreneurs in our sample attended one seminar each. A majority of the entrepreneurs were not aware of these courses. Moreover, these courses had limited utility. Entrepreneurs often did not go to Government agencies for technical advice. Forty-two entrepreneurs had no technical problems and 39 maintained that the staff in these agencies had insufficient practical training and experience. Thirty four entrepreneurs did not know whom to consult in these agencies. Only four entrepreneurs went to these agencies for technical advice. However, the figures relating to technical advisory services provided by their field staff were higher; these appeared to be false claims.
There were seven agencies in Ludhiana District to provide testing facilities. Only a small number of entrepreneurs availed of these. There was duplication of work and lack of coordination among the seven agencies. Entrepreneurs rarely availed of the facilities since their customers were not quality conscious. Also, a majority of the entrepreneurs in our sample manufactured parts. They produced for assemblers who often did not require testing. Only three entrepreneurs availed of the testing facility for engineering goods and one for hosiery.

There were six common facility service centres in Ludhiana District. Some of these had been set up as early as the First Five Year Plan period (1951-56) and performed very useful service at a time when there were no private agencies for doing job work. In the course of time, private agencies had been set up; Governmental ones were now required to compete with these. There was some duplication of services among Governmental agencies themselves. The quality of work done by these agencies was better but the charges were generally higher than those of private ones - sometimes by half or even more. Charges in the newly set up Central Tool Room were too high for small entrepreneurs. Another problem related to delay and payment in cash. Entrepreneurs' preference for private job work, however, was partly due to the desire to evade excise duty.
Provision of Electricity

Power connections could be categorised as domestic, commercial, industrial and agricultural. Industrial consumers were classified on the basis of the load as Small Power Consumers, Medium Supply Consumers and Large Supply Consumers. In our sample all industrial consumers were Small Power Consumers. In Ludhiana District about 49 per cent of the power was consumed by industry and 26 per cent by agriculture. Allotment of an industrial connection took a very long time - often two to four years. The procedure of applying for the connection was long and cumbersome. In our sample as many as 55 entrepreneurs did not have an industrial connection. Of these 26 used machines with a motor above one Horse Power on a commercial connection, thus violating the rules and also paying the higher tariff chargeable on a commercial connection.

In Punjab, in spite of the high priority given to power, there was a power deficit. About 14 per cent of the applications for an industrial connection were pending in Ludhiana Circle. In the prevailing shortage, agriculture was granted priority and charged a concessional rate. Agriculture was given assured supply of power for a certain period according to need. The charges were about one third of those paid by small entrepreneurs as Small Power Consumers. To
deal with the shortage, industrial consumers were encouraged to purchase their own generators and were given 20 per cent subsidy. Smaller entrepreneurs, however, could not purchase one mainly because of the high cost of operating it and also the small size of their production. The Government adopted the policy of rationing the supply of electricity to industries in 1973. However, it had to be dropped because of the increase in theft of energy. There was evidence of theft in our sample also.

After the abolition of the rationing of electricity, the Government resorted to power cuts - both notified and unnotified. Power cuts caused inconvenience both to entrepreneurs and workers. There was loss of production also. Workers lost their earnings because they were paid according to the hours worked. Unnotified power cuts resulted in wastage of raw-materials. Another problem related to voltage fluctuation - machinery and fluorescent tubes had been damaged because of it. The rates of security and service connection charges were also high. Entrepreneurs had to bribe the Line Superintendent, the Wiring Contractor, the Sub-Divisional Officer and the staff on complaint duty.

Labour Policy

Labour laws were related to the number of workers in a unit. The Factories Act, 1948, applied to units having 10
or more workers if it was using power and 20 or more workers if not using power. Some other units could also be declared as factories under Section 85 of the Act. In our sample 34 units employed 10 or more workers and used power. Four units were covered as factories under Section 85 of the Act. However, only 28 units were registered as factories; ten entrepreneurs evaded the law by not getting their units registered. Seventy one units were non-factories and were covered by the Punjab Shops and Commercial Establishments Act, 1958. These 71 non-factories were not covered by important labour laws such as the Payment of Wages Act, the Payment of Bonus Act, the Employees' State Insurance Act and the Provident Fund Act.

Of our sample units, 18 did not have hired labour. In the remaining 99 units, 1356 workers were employed. About half of the workers had migrated from other States. They came mainly from U.P. Of the 99 workers interviewed, 57 were from U.P. Of these 57, 43 had been pushed to the District mainly because of the lack of job opportunities in their native place. The workers were unorganized and were prepared to work at low wages. This hindered the implementation of some important labour laws such as the Minimum Wages Act. None of the entrepreneurs recruited workers through the Employment
Exchange. Only four workers had been trained in an institute before employment. About seventy-four per cent of them were trained on the job and entrepreneurs referred to such workers as skilled.

There was evidence of child labour in our units. Children had to work mainly because of economic compulsions. Employment of women workers was very low. Entrepreneurs employed young unmarried girls, widows or old women to avoid the payment of maternity benefits. There was contract labour in some of the units but the number of such workers being less than 20, their working conditions were not regulated by the Contract Labour (Regulation) Act.

Of the 99 workers interviewed, only nine were members of trade unions. No Standing Orders were framed in the units; nor were Model Rules followed. There were very few industrial disputes. In ten years (1970-80) there were only ten disputes. The working conditions of labour were appalling. Health and sanitation conditions were unsatisfactory. Workers worked for more than the prescribed 48 hours per week. The spread-over of working hours was more than the prescribed 10½ hours in 26 of the 28 factories and all the 71 non-factories. In non-factories no payment for overtime work was made. In factories, the payment for overtime work was not made at double the normal rate as required, but only $7/1$
times. In 18 units the piece rate system prevailed. In 81 units wages were paid on an hourly basis; in 1⁄4 of these the wages were less than those prescribed under the Minimum Wages Act. Grant of leave was treated as an act of benevolence. Three of the factories and all the 71 non-factories worked on national holidays, namely, Independence Day, Republic Day and Mahatma Gandhi’s birthday.

Even in factories to which the Employees’ State Insurance Act and the Provident Fund Act were applicable, these were not implemented. Of the 1,069 factory workers, the Employees’ State Insurance Act applied only to 452 workers. Of the 20 units where the Provident Fund Act was applicable, only in 15 was it implemented. Even in these 15 units all workers were not covered. Entrepreneurs often did not adhere to the provisions of the law; however, they were not prosecuted for infringements.

Entrepreneurs worked under conditions of shortage of finance, raw-materials and power, and surplus labour; they wanted to economise by not implementing labour legislation. Implementation of the legislation also involved maintenance of various registers, forms and notices. It was difficult for a small entrepreneur to maintain these. Entrepreneurs bribed officials to evade the law. Penalties for breaking the laws were light. The implementing staff was
inadequate, and faced the problem of conveyance for making inspections. Workers were unorganized, poor and weak.

**Performance**

Table 10.1 shows the loans and incentives obtained by the small-scale sector and the large and medium-scale sector. We note that in 1979-80 in Ludhiana District, small-scale units accounted for 99.5 per cent of the total registered working units. Their investment was 34.5 per cent of the total against 65.5 per cent in the large and medium-scale sector. The share of the small-scale sector in loans was 52.6 per cent and in incentives 50.3 per cent. It is notable that with about one third of the total investment the small units contributed to 44.4 per cent of the total production and 52.6 per cent of the total exports from the District. What is even more significant, this sector provided employment to 84.7 per cent of the industrial workers. Hence, the performance of the small-scale sector had an important role in the economy of the District.

**CONCLUSION**

We have noted above that various laws and programmes existed to assist small-scale industries. We have also seen the performance of this sector. Our study has indicated that some of the problems could be dealt with to improve
The District Industries Centre was set up to act as the nodal agency to help entrepreneurs in obtaining various kinds of assistance. However, this objective could not be achieved, mainly because needed authority had not been delegated to the General Manager, District Industries Centre. Thus there was need of delegation of more authority to the General Manager for making loans, subsidies, incentives and raw-materials available.

Coordination

It was difficult for an entrepreneur to approach various agencies for different types of assistance. Thus there was need of coordination of different agencies. The State Government also felt the need. After the completion of this study, a bureau was set up at the headquarter of the Department of Industries in August 1981. It had an officer each from the Punjab Financial Corporation, the Punjab State Electricity Board, the Punjab State Small Industries Corporation, the Punjab State Industrial Development Corporation, besides a Coordinating Officer and a Liaison Officer. It was known as the "Udyog Sahayak". Its impact was yet to be realized.
Provision of Information

There were extension officers in the Small Industries Service Institute, Quality Marking Centres and the District Industries Centre to assist small entrepreneurs and make them aware of Government assistance programmes. However, small-scale entrepreneurs were ignorant about several of the Government programmes or the agencies through which the assistance could be obtained. Some of these agencies were doing useful work but many of the entrepreneurs were not aware about the availability of services such as provision of market research and information, industrial research, technical training, machinery on hire-purchase Government Purchase Programme, and loan schemes of the Punjab Financial Corporation. There was need of wide publicity.

The District Industries Centre, which had as many as 26 extension officers, could well be the hub of information. Information could also be provided through circulating notices to the associations of small entrepreneurs. Frequent meetings of entrepreneurs and officials might also help.

Procedures

The procedures related to the various types of assistance were unduly long and cumbersome. There was a need of examining whether all the pledges and information asked for were really needed. Assistance to small entrepreneurs in
filling up the forms and executing the documents was necessary. It could be rendered by the Extension Officers of the District Industries Centre.

Delay

An entrepreneur often found that there was much time involved in getting assistance of any kind. He had, therefore, to make repeated visits to the offices. His problem could be reduced by calling him on a fixed date for a particular purpose. Maintenance of records on cards instead of in files and registers would increase the efficiency.

Corruption

Corruption was one of the serious problems. It could partly be dealt with through measures like greater delegation of authority, better form design and better maintenance of records, which would raise efficiency and reduce delay.

These measures might lead to the better fulfillment of the objective of developing small-scale industry.