Now that our study is drawing to a close, we should, before we conclude, make an attempt to gather all the loose ends and summarise the main results of our enquiry.

A very important role has been assigned to the small industry in the country's Second Five Year Plan. Small industry has been called upon to meet the increasing demand for consumer goods that will accrue from increased investment during the plan period.

This emphasis on small industry is mainly due to the fact that capital requirement per unit of labour is considerably low in this sector. The twin problems that have faced the planners in India are, first, the scarcity of capital and second, the huge unemployed labour force. The small industry is expected to offer a partial solution to these twin problems.

The emphasis on less capital-intensive methods of production has often been criticised as not favourable for the rapid growth of the economy. Productivity of labour, it has been argued, is closely connected with the capital investment in the sense that increase in capital intensity per worker often leads to increased productivity of the labourers. Since economic growth depends on the 'surplus' out of current production that is available for reinvestment, reliance on less productive methods of production means putting a check on the rate of economic growth. Thus to many people, the choice of small industry amounts to choosing technical stagnation for the sake of employment.
This apprehension is due to a number of reasons. The term small industry has never been defined clearly and is usually linked up with the cottage and hand industries following antiquated methods of production. The productivity of labour in these types of industry is generally very low. Often these production units not only require more labour, but more capital per unit of output. So the development and maintenance of such industry may imply a waste rather than a saving of capital.

There is further a strong feeling in some quarters that the maximum rate of economic growth is the only desirable goal of any economic policy and that it can be attained through the development of large scale industries following most recent capital-intensive techniques of production. It seems as if there were two courses open to India: either to choose the most antiquated methods of production with a scope for large scale employment or the most advanced technique of production with smaller prospect of creation of employment opportunities. But it has generally been overlooked that there is a middle course also between these two extremes of full automation and antiquated technique, which allows an optimum combination of the employment and growth objectives. Except in a few cases such as cement, steel or some other basic industries where the most upto-date methods are appropriate, in most of the other production fields, a much wider choice of technology and plant organisation is possible. We have shown that at least in the consumer goods industries sector, a reasonable degree of productivity of labour can be attained through a careful selection of mechanised small and medium sized units, where capital intensity per worker is reasonably low. Even if productivity of labour can be increased through choosing more capital-intensive technique of production, there are ample reasons for choosing the
less capital-intensive methods of production in our country. The choice of technique is fundamentally connected with the economic resources available in the economy under consideration. With abundant labour supply and scarce capital resources, India cannot possibly copy the techniques followed in the countries like U.S.A. or U.S.S.R. It is interesting to note that even in China where the rate of economic growth has surpassed even that of the most developed countries of the world, considerable emphasis is being given on the small and medium sized industries side by side with capital intensive big industries. Even the handicraft sector has not been neglected, but measures have been taken to improve the technique of production and to solve the other problems such as procurement of raw materials or marketing of the products. Modern industry (that is, factories including 30 or more workers and using power) raised its output between 1953-57 by 132.5 percent, while handicraft output increased by 69.3 percent during these five years. In terms of new construction, whereas 449 large scale industrial units were built and put into operation during the first five year plan, as many as 2,300 medium and small units were also constructed during the same period. This, of course, does not take into account the existing units whose capacity was expanded or which were reactivated from their moribund state.

Much of the inefficiency of the smaller sized concerns compared to the larger sized units is due not to technical inferiority in the methods of production but to the difficulties in other sectors of production such as procurement of the factors of production, marketing of the products and above all to the overall problem of efficient management. This of course does not amount to saying that there is no need for improvement in the technique of production. The need for technical improvement and technical guidance in the small industries sector cannot be overemphasised. But the
problems of the proper supply of the factors of production such as raw material, finance, the need for improvement in the methods of marketing the products as well as the problem of overall increase in the efficiency in the management itself are equally, if not more, important.

In fact the problem of efficient management is the core of all the problems of small industry. The role and functions of the entrepreneur are entirely different in a small industry compared to that of a manager in the larger sized one. The owner manager of a small industry is expected to deal with every smallest detail of his business, which are looked after by specialised managers in the larger sized concerns. Small units are also not in a position financially to avail themselves of the outside agencies for guidance in specified aspects of the business, such as costing, technique, marketing etc. Herein lies the necessity of setting up public agencies to impart managerial and technical guidance to small industry. The competitive level of the small industry can be increased through proper guidance in every aspect of the business without revolutionising the technique of production. To this end, it is necessary to improve the calibre of the entrepreneurs of the small industry by extending training facilities for the manager. In the matters of securing finance or in marketing the products, small industry and to some extent medium sized industry also, are found to have certain problems peculiar to the very size of business. It has been found that, because of their very size, small units experience extreme difficulties in securing finance of all types while medium sized units generally experience difficulties in securing long term funds, which are more readily available to the larger sized units. A number of agencies has recently been set up to make financial accommodation available to the small units on easy terms. But from the working of these agencies, it becomes clear that, although some amount of financial assistance has been provided
through these agencies, full utilisation of the scope of assistance of these agencies has not been made. This is due to the fact that all types of these agencies are not constituted in a way so as to cater for the particular financial needs of the small industrial concerns. In our study of the working of the State Financial Corporations, it was found that the conditions which the Corporations had laid down for extending finance to small units were of the nature which most of the small units failed to satisfy. Financial ills of small industry can be met to some extent if some form of equity capital were supplied to such industry. But that would require an amendment of the State Finance Corporation Act. The recent liberalisation of the rules governing the State aid to industries is expected to meet, to certain extent, the financial needs of small industry.

The problem of short term credit is no less urgent than that of long term capital. State Finance Corporations recently have agreed to provide short term credit, but here also the conditions under which security needs to be provided are much too stringent for the small industry to comply with. That is why it has been found that the majority of the recipients of financial accommodation from State Finance Corporations are medium sized units which are in a position to raise outside funds more easily than the really smaller sized units.

Steps have also been taken by the State Bank of India to liberalise the Bank's procedure of lending to the small scale units. While full results are yet to be seen, the terms are much stricter than those of under the Government's liberalised scheme. In order to facilitate commercial banks lending to small scale units, a scheme for guarantee of repayment of not more than 75 per cent of funds advanced by commercial and cooperative banks to small scale units and industrial cooperatives has been proposed.
We think that financial aid to industries can be given properly through financial institutions like banks. Government funds should, as far as possible be canalised through such institutions. The coordination of the activities of the different agencies is also urgently required. The pilot scheme started by the State Bank of India is expected to effect such coordination in the activities of different agencies. Unless adequate experience is obtained, it would not be possible to draw conclusions as to the nature of agency arrangements proposed. For the attainment of greater coordination between the functions of different agencies, the State Bank should act at the pilot centres to the fullest extent possible as agents for the State Financial Corporations in their dealing with the small scale industries. The procedure can also be followed in respect of advances granted under the Government liberalised scheme to such an extent as may be considered necessary.

The difficulties in marketing the products of the small industry constitute one of the most serious of all problems of such industry. It is true that the success of all production units lies in successful adjustment of the production to the market demand. But in appraising the marketing problems of small industry, it is necessary to bear in mind that the lack of knowledge about the conditions in the market is the most important factor creating difficulties in the marketing of its products. This is partly due to the small size of the business. Small industries are financially not in a position to embark on large scale advertisement or to have special marketing officers like larger sized units or even medium sized units. Secondly, it has also been found that, unplanned growth of industry often leads to over production. Government policy is partially responsible for
Licences to new units were given without examining the existing demand for the products and the productive capacities of the existing units. Foreign controlled companies have often been permitted to open new units in the existing industry's sector, causing serious difficulties to the indigenous industries. This has specially happened in the medium sized industry's sector after the second world war. The most serious problem facing the existing medium sized industries is the unplanned growth of industries and the consequent excess capacity. This is also due to the fact that the policies regarding imports have mostly been influenced by balance of trade considerations. Recently due to acute foreign exchange problems, imports have been severely restricted. So the existing industries are enjoying protection from the competition of foreign goods. But in granting permission to new units and in permitting expansion of existing units, care need to be given to the capacities of existing units and the demand for the products, present as well as prospective.

In the cases of cottage and small scale industries, the policy of common production programme has been accepted by the Government. What is needed is proper investigation into the possibilities of small sized plants in the production of different items and to reserve the fields for small plants only, where there are possibilities of survival. The policy needs to be extended to the medium sized industries sector also. Investigation of this type has already been undertaken by the Investigation Team under the Small Industries Board, though so far only in limited fields.

Several agencies have recently been set up by the Government of India for the assistance of small industries in various aspects of their business such as technique, designs, methods of costing, supply of raw material and marketing of the products. Most of the agencies have started work
recently and are not well equipped with technical personnel to carry out all the functions entrusted to them. The working of these agencies has not so far been able to create sufficient enthusiasm among the small industrialists. This is to a great extent due to the ignorance of the small industrialists about the necessity of such guidance from specialist agencies. The problem is not only to make such assistances available to small industries, but to impress upon the small industrialists of the need for such guidance. Moreover there is also a perceptible lack of coordination between the functions of the different agencies which also stands in the way of successful functioning of these agencies.

We think that there are ample possibilities of cooperation in the small industries sector. Through cooperation, the small units would be able to enjoy the economics of large scale production, specially in the purchase of raw materials, in the marketing of the goods in securing finance etc. Small units can also form producer's cooperatives, but the scope for such cooperation appears to be small in the small industry's sector. But if full fledged producers cooperatives are not found to be feasible in this sector, considerable economics can be achieved by the use of rare and improved appliance which may be installed jointly. The Central Government has been for some time emphasising the need for a sound development of cooperative movement in the small and cottage industries sector. The administration of a scheme for planned development of the cooperative form of organisation makes a heavy call on the strength and skill of the authorities charged with the responsibility. Steps have been taken by the Government for extending necessary training facilities to the cooperative personnel. Government assistance is no doubt necessary for the development of cooperative movement, but it must
be emphasised that in any cooperative movement, ultimate success lies in imbuing a spirit of cooperation among the small industrialists, most of whom at present are unaware of the value of cooperation.

The most important factor in the discussion of any economic activity is the human factor involved in it. Yet in the discussion of the problem of small industries, the human factor is generally overlooked. It is true that labour unrest is of much less frequent occurrence in the smaller sized concerns compared to the larger sized ones. But this does not imply that the working conditions are better in the small industry. On the contrary, it is far from it. An extension of the scope of the Factories Acts and the rigorous imposition of the conditions of the Act are urgently necessary for the maintenance of the health and efficiency of the workers. A study of the standard of living of the workers in some small and medium sized units shows that the level of wages is too low not only in the unorganised industries, but also in many of the small and medium sized industries which come under the Factories Act. There is also no security of the employment of the workers which practically depends on the whims of employers. This explains why in spite of the deplorable low wages and working conditions, small industries do not suffer from frequent labour unrest. At present the scope of the Minimum Wages Act in India is very limited. An extension of the scope of the Minimum wages Act, so as to include the important small and medium sized units is urgently required. It may be argued that the small industries in some cases would not be able to bear the increase in the cost which the enforcement of minimum wages may cause. In such cases, minimum wage may be enforced through stages. But ultimately, any industry must be in a position to give the worker the minimum wages that is necessary for the
maintenance of the health and efficiency of the workers. Small industry can not justify its existence, if the workers employed here are not be given even the minimum wages.

In the foregoing study the problems of medium sized industry have been examined along with that of small industry. In fact the difference between the problems of the two categories of industry in most cases is not of one kind but of degree only. Some of the problems are found to be more acute in the small industry's sector, because of the size. But the medium sized industries are as much in need of assistance as small industry, especially for the purpose of a planned development of this sector.

Medium sized industries in our country are mostly of less capital extensive type. But in our present industrial policy, the sector appears to be the most neglected one. Yet the importance of this type of industry cannot be overemphasised, as many of the consumer goods can not be produced in small units. Either the scope of the existing agencies should be extended so as to enable those industries to take advantage of the assistances rendered, or if it is the intention of the Government to confine the activities of the agencies within the small industries sector, steps need to be taken for assisting the medium sized units separately.