Introduction

In recent years, the question of the promotion and development of small industries has assumed considerable importance in India, specially in the context of her development plans. The Second Five Year Plan of the country has placed particular emphasis on this type of industry and it has been assigned a significant role in the rapidly developing national economy.

Under conditions of capital scarcity and surplus labour force, several factors combine to favour the greatest possible use of the less capital intensive production units. By using relatively labour intensive technology, which requires less capital per unit of output, more total output can be achieved with a restricted amount of total invested capital. Moreover, the time lag between the execution of the investment project and the flow of the consumer goods is relatively short in the labour intensive industries. The development of industries of such "quick investment" type, as Dr. Hicks has characterised them, has special attraction for the under-developed economies, which have inevitably a higher inflationary potential.

In India a great deal of controversy has centered round this question of the role of small industry in the country's economy. The main reason for this controversy is to be found in the absence of any clear definition of such industry. In our first chapter, where we have discussed the problem of the choice of criteria for the measurement of the size of factory, we have tried to indicate the nature of the type of industry we have selected for our study. Small industry ordinarily refers to the hand and cottage industries which usually follow antiquated methods of production.
The productivity of labour in these industries is usually so low that "an industrial employment policy of this kind reminds one almost of a policy of hiring persons to dig holes in the ground in order to fill them up again". 1 By small industry, however, we mean the mechanised units, where the capital investment per worker is comparatively low, but where a much wider choice of technique is possible, and so can attain a reasonable level of productivity of workers. Through the development of mechanised small and medium sized units, we believe, the twin objectives of growth and employment can be reasonably attained. In the problem of industrialisation, the point is not the selection of any particular 'size' of industry, but the selection of technique suitable to an economy from the point of view of relative factor scarcities. The capital investment per worker in the small and medium sized units is usually low compared to the larger sized units. Yet in such units we can attain a satisfactory level of productivity of labour. This is because "for all but a handful of industrial processes, there exist varying ratios between labour and capital and that each of this technology is as modern as any other". 2

Our study falls into two parts: In the first three chapters which have been devoted to making an appraisal of place of such industries, we have considered the problems of definition, the choice of technique and the growth of small and medium sized units in our country. In the second part, which comprises the fourth, fifth and sixth chapters, the problems of these industries relating to finance, marketing, technique and management


2 Ibid, page 235.
have been examined in somewhat detail. These problems do not, of course, exhaust the list of difficulties that the industries have to face. There are other problems also. Among the latter, we have made in Chapter Seven, a particular study of the working condition, the level of wages and the standard of living of workers in such industries. A number of agencies have recently been set up in India for the assistance of small industries. A discussion of the functions of these agencies has been called for in order to find out how far they have been effective and possible lines of improvement of their working have been indicated in Chapter Nine.

Relevant data about small and medium sized industries, specially of the former are painfully lacking in our country. For the purpose of this study, personal investigation have been undertaken into fifty small and medium sized units (size being measured on the basis of total capital employed per unit), covering twelve industries in all, namely, belting, saw mill, small tools and cutlery, pipe fitters, electric lamp, electric brass lamp holder, fountain pen ink, chemicals, dry battery and engineering goods in Calcutta, Howrah and Serampore areas of West Bengal. Under the Research Programme Committee, Planning Commission, a factual survey of small industry has been carried on in Delhi, Meerut, and in some other places. Reports of most of these surveys have not yet been published and are not therefore available. The Report of the Delhi Survey\(^5\) which has now been published, however, came to my hands when I had practically completed my own work. Although it has not been possible to make use of the valuable materials of that survey, I am glad to find that the characteristics of small industries and the nature of their problems as revealed in the survey closely resemble our own findings. This incidentally points to the uniformity in the structure and problems of the small scale units in India.

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5 Dhar, F.N. - Small Industries in Delhi - 1958. The survey was made during 1953-54.