CHAPTER SEVEN
SUMMARY OF THE WHOLE WORK AND SOME POLICY PRESCRIPTIONS

Small Scale industries of West Bengal are of different types and they are diffused over all the 17 districts of the State of West Bengal. Comparing the performance of small scale industries of West Bengal with the all India performance we find that (i) labour absorption capacity is larger in the small scale industries of West Bengal, (2) the products of small scale industries of West Bengal are more labour intensive and (3) in West Bengal the small scale industries have spread more in the backward areas. But both labour and capital productivity of the small scale industries of West Bengal are lower, the problem of excess capacity is more prominent and the number of closed units as percentage of total units is much higher in the small scale industries of West Bengal compared to those for India as a whole and these are not good symptoms for the future prospect of the small scale industries of West Bengal.

Small scale industries of West Bengal are suffering from a number of problems like decreasing employment, increasing capital intensity, falling rate of profit, rapid growth of both labour and non-labour input cost, excess capacity, incidence of sickness and low factor productivity. The phenomenon of de-industrialisation in West Bengal during the period 1980-81 to 1990-91 resulting from the policy pursued by the central Government during that period has further aggravated the problems of the small scale industries of West Bengal.

In this background the new liberalisation policy of the central Government is not in the proper direction to solve the problems of small scale industries of West Bengal.
The reasons are:

i) The problems of the tiny units may increase which constitute the major percentage of the total number of small scale units in West Bengal.

ii) Job prospect in the form of self employment may become grim.

iii) There may be concentration of both small and large units in a few hands which is undesirable on equity ground.

iv) Rural units may suffer which are in good number in the state of West Bengal.
v) Capital intensity may increase which is already a problem of the small scale industries of West Bengal.

vi) The problem of excess capacity may increase which is already a problem of the small scale industries of West Bengal.

vii) Regional inequality may increase.

viii) The problem of industrial sickness will not be solved.

ix) The objective of employment expansion among the rural uneducated and unskilled labourers will not be fulfilled and

x) The problems of bank credit to the small scale industries will not be solved.

In this situation the West Bengal Government has taken quite a few measures in the right direction to solve the problems of small scale industries of West Bengal such as the problem of rural infrastructure, problem of rising input cost, problem of industrial sickness, problem regarding the development of complimentary relationship with large industries and the problems relating to inadequate bank credit. But these measures are not sufficient to solve the problems of the small scale industries of West Bengal. Some further measures should be adopted which may be jolted down as follows:

(1) First of all, the demand based as well as resource based productive activities in the state should be located. Among these productive activities those where production within the small scale structure is possible should be reserved for the small scale industries so that they can play an important role in the development of the state. This suggestion runs counter to the suggestion made by the Abid Hussain Committee regarding restructuring of small scale industries. The committee suggested dereservation of small scale industries. Our suggestion for reservation of small scale industries is based on following considerations:
a) The small scale industries of West Bengal have played an important role in fulfilling the social objectives like employment expansion, use\# of labour intensive technique, backward area development, development of tiny units for equitable distribution of income etc. So there is a necessity for reserving the small scale industries of West Bengal.

b) We are prescribing for reservation of only local demand based and resource based small scale industries, because, in this case small scale industries will be able to play an important role in the economic development of the relevant local area through linkage effect.

c) After the removal of the licensing system small scale industries are competing with large scale industries enjoying economics of scale. In this situation to snatch the market from the small scale industries large industrialists are selling similar or same product at different prices by using different brand names (there may be some differences in quality among the different brands). To save the small scale industries from this unhealthy competition their reservation is required.

2) To ease the economic problems of the small scale industries subsidy should be given but all of them need not be equally subsidised. At the time of giving subsidy the following points should be kept in mind :-

(a) Among the small scale industries the tiny units should be subsidised. At present there is the necessity to identify who are the real small scale producers. This is because through enhancement in the investment limit of the small scale industries and through Limited Partnership Act and Equity Participation Principle the central Government has given the large scale producers the scope of investment in the Small scale industries.
b) Among the small scale products the relatively more labour intensive products should be subsidised.

c) Small scale industries situated in the backward areas should be subsidised.

d) All the sick small scale units should not be subsidised indiscriminately. The small scale industries where lack of demand is the reason behind industrial sickness need not be kept alive by giving subsidy.

At present however Government is trying to cut all types of non developmental expenditure including subsidy for reducing budget deficit. But one may say that all types of subsidies are not non-developmental. If the small scale industries play an important role in fulfilling the social objectives then the subsidy given for their development is developmental expenditure. In West Bengal the small scale industries have played an important role in fulfilling the social objectives which we have discussed earlier. Hence subsidy given to them is developmental expenditure. But this subsidy should always be subject to some conditions which we have discussed earlier.

3) Measures should also be taken to mitigate the marketing problem of the small scale industries. Because as they are financially hard pressed in most cases the small scale producers can not directly sell their products in the market; the middlemen buy the products from the small scale producers at very low prices and sell them in the urban markets at high prices. Thus the real small scale producers can not earn sufficient profit.

4) Measures should also be taken for the development of mutual interdependence relationship between the small and the large industries.