In the previous chapters we have discussed the very many problems which the small-scale industries of West Bengal are suffering from. Let us now turn to the new small scale industrial policy of 1991 together with the new liberalisation policy and see how far they can solve the problems of small scale industries of West Bengal.

In the new small scale industrial policy of 1991 Government has announced an increase in the investment limits in plant and machinery of small scale industries, ancillary units, and export oriented units to Rs. 60 Lakhs, 75 Lakhs and 75 Lakhs respectively. Investment limit in case of tiny enterprises has been increased from Rs. 2 Lakhs to Rs. 5 Lakhs.

One possible reason behind the increase in investment limit is as follows:-
In the new liberalisation policy small scale units will have to face stiff competition from large-scale units, which enjoy economies of scale. In this situation what is required is to improve the complementary relationship between small and large scale industries. To fulfil this objective high technology machine tool industries should be developed within the country to cater to the needs of small scale industries. For the development of these types of industries the limit of fixed investment needs must be increased in the case of small scale industries and this is exactly what has been done in the new policy.

After the introduction of the new liberalisation policy relatively larger firms in the small scale would have better chance of survival compared to relatively smaller ones. But in West Bengal tiny units comprise the highest percentage of the total number of small scale units (98.1%) and they are likely to face more problems than before.

Now if in the new policy tiny units are ill suited then it will be risky for the financially weak unemployed persons to invest money in small scale industries. Hence the future occupation prospect in the form of self-employment is grim. In West Bengal this problem will be acute since in West Bengal self employment as percentage of total employment in small scale industries is already lower than in India as a whole. To reap the benefits from developing complementary relationship between big and small industries, the big industries will want to set up complementary or ancillary type small scale industries resulting in the concentration of both
small and large industries in a few hands which is undesirable on equity ground. This problem will be further aggravated owing to the other measures adopted by Government in this arena like equity participation by other industrial undertakings in the small scale industries and introduction of limited partnership Act with a view to enhance the supply of risk capital to the small scale sector.

The new liberalisation policy has entailed a sizeable cut in Government expenditure. In the following years after 1991 we find that budget support for the infrastructure sector like energy, transport and communications has been curtailed the most. Plan expenditure on those sectors as a proportion of Central Plan outlay dropped from an average of 19% during the period 1990-91 to 14% in 1991-92 and 12% in 1992-93. Similarly the plan expenditure allocations for rural development and other social sectors as a proportion of central plan outlay has declined from an average of 16.1% during the period 1987-88 to 1990-91 to 15.7% in 1991-92 and 14.1% in 1992-93. Owing to this policy of the Government, Small scale industries especially village industries which have inadequate access to Research and Development, low level of infrastructure, inadequate marketing facilities and lack of easy access to credit will suffer a lot. In West Bengal the proportion of rural units to total small scale units is higher compared to its all India average and so that the effect is likely to be much more pronounced in West Bengal. Government seems to be aware of this because in the new policy it has wanted to increase the role of non-Government agencies agencies like industry associations, voluntary agencies etc. in assisting the small scale industries. But from the point of view of social welfare, Government's role can not be replaced by a private agency.
The new small scale industrial policy has been formulated by the Government with the objective of improving the complementary relationship between small and large industries. This is likely to result in an increase in the number of modern small scale industries which will be capital intensive in nature. Increasing capital intensity is already a problem of the small scale industries of West Bengal because it goes against the objective of employment generation through the expansion of small scale industries. The problem will further aggravate due to the new small scale industrial policy of central Government.

Existence of excess capacity is a problem of small scale industries. We have noted in chapter three that this problem of excess capacity is more prominent in West Bengal than in the other States because capacity utilisation percentage is lower in West Bengal compared to India as a whole. We have seen that West Bengal has a major percentage of small scale units in the tiny group and still excess capacity problem is there. The tiny small units of West Bengal have failed to utilise their full capacity and this problem of excess capacity will be further aggravated following Government's measure of increasing the investment limits in plant and machinery of small scale industries.

As a sequel of the new liberalisation policy small scale industries will find it hard to compete with the large scale industries. Through the new small scale industrial policy Govt. has tried to increase the complementary relationship between small and large industries. Hence small scale industries will develop in areas in and around the large scale industries; small scale units will no longer grow in the backward areas where large scale industries have not developed. Regional inequality will therefore increase and the main objective of backward area development through the expansion of small scale industries will not be fulfilled.
We have also noted earlier that industrial sickness is a no less serious problem in the case of small scale industries and this problem is much prominent in West Bengal since West Bengal has highest percentage of closed units to total units compared to all India. In the new small-scale industrial policy no measure has been taken to solve this problem of sickness.

In India service sector is the fastest growing sector. It’s share in GDP has increased from 28% in 1960-51 to 39% in 1989-90 and the share of Secondary sector has increased from 15% to 27% with a corresponding decline in the share of the primary sector from 56% to 34% over the same period. In the new small scale industrial policy all industry related services and business enterprises, irrespective of their location, would be recognised as small scale industries and their investment ceilings would correspond to those of tiny enterprises. This policy will further accelerate the growth of service sector. This has been done with a view to enhance the complementary relationship between small and large industries. But only skilled and educated persons will find employment in this type of service sector. As a result the objective of employment expansion among rural uneducated and unskilled labours through the expansion of small scale industries will not be fulfilled.

In the new small scale industrial policy it has been said that measures should be taken to meet the genuine credit need of the small scale sector. But no measure has been prescribed to solve the problem of paucity of funds available to small scale industries. Recently a sample survey consisting 503 small scale industrial units drawn from 20 districts spread over 10 states has been made on the credit need of the small scale industrial units by National Institute of Bank Management sponsored by SIDBI. In the study following results have been obtained.
i) Paucity of fund is a major problem of small scale industries.
ii) Banks and financial institutions are more favourably inclined towards larger projects than the smaller ones.

iii) In a large number of cases sanctioned amount is less than the amount demanded. There is also delay in sanctioning loans and delay is more in the case of backward areas. Reason for delay is lengthy procedural formalities and the reason behind lower sanctioned amount is inadequate collateral security available.

iv) Banker’s attitude is also not commendable.

No measure has been suggested in the new small scale industrial policy to solve these problems. Again the new reform process of the financial sector which has made viability or profitability of individual banks an important performance criterion, has made commercial banks to prefer loan proposals with relatively assured prospect of recovery. Hence commercial banks will hesitate to finance new small scale units all the more. The change in attitude of the banks is evident from the fact that total commercial loans to small scale sector in West Bengal (excluding Calcutta) in 1991-92 was Rs. 156.8 crore; this had declined to Rs. 113.85 crore in 1992-93 and to Rs. 102.39 Crore in 1993-94.

Conclusion :-

This in conclusion we can say that new liberalisation policy of the Central Govt. is not in the proper direction to solve the problems of small scale industries of West Bengal. The reasons are :
i) Problems of the tiny units may increase which constitute the major percentage of total small scale units in West Bengal.

ii) Job prospect in the form of selfemployment 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 also is 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 rural uneducated and unskilled labourers will not be fulfilled.

x) The problems of bank credit of the small scale industries will not be solved.
Section - II : - AN ANALYSIS OF THE SPECIAL MEASURES UNDERTAKEN BY THE LEFT FRONT GOVERNMENT OF WEST BENGAL IN RESPECT OF SMALL SCALE INDUSTRIES OF WEST BENGAL.

We have seen the small scale industries of West Bengal are suffering from a number of problems and these problems can not be solved by the new small scale industrial policy 1991 of the central Govt. But the fact remains that in West Bengal there exists a potential market for the products of small scale industries. In West Bengal the policy of land reforms along with the support extended to beneficiaries in terms of provision of non land inputs, such as irrigation facilities, improved seeds, fertilisers etc. as also the process of democratic decentralisation through the Panchyat Raj system has brought about a major break through in the sphere of agriculture and allied sectors. As a result, the highest rate of growth in food grains production, as well as the highest rate of growth in per hectare yield of food grains has now been achieved in West Bengal among all the state in India. In addition, the position of the state is first in fishery and also in social forestry. Not only there has been an increase in production there has also been a corresponding increase in the purchasing power of the vast majority of common people in the rural areas. This has created a new market for industrial products especially of the small scale industries in West Bengal. In this setting a deliberate policy for promotion of agrobased cottage and small scale industries is required. Realising this the state government has designed a set of measures to encourage the growth of small scale and cottage industries in the State.
Arthur D. Little Committee has made a survey on the industrial prospects of West Bengal. The main findings of the report of this committee are as follows:

i) West Bengal has the best environment within India for both domestic and foreign investment.

ii) West Bengal is progressing rapidly as an industrial region within India.

iii) West Bengal is the suitable place within India for the establishment of competitive and rapidly changing industries.

iv) West Bengal is the main entrance within India regarding connection with the economy of Asia Pacific Region.

v) West Bengal is a good reservoir of natural resources.

vi) West Bengal has long industrial heritage.

vii) The working class has a strong educational base and they have the potentiality to acquire improved technological knowledge.

viii) The domestic markets of West Bengal and neighbouring states of eastern India are progressing rapidly.

Thus we can see that West Bengal has a bright industrial prospect. Realising this the West Bengal Government has undertaken a lot of measures to strengthen the industrial base of the State. We next try to present a clear picture
of the initiatives taken by the West Bengal Government for the growth of small scale industries of West Bengal.

First consider the village based small scale industries of West Bengal. We have noted that owing to the new liberalisation policy of the Central Government the village industries may suffer. But village industries have a good market in West—Bengal because in the aftermath of massive improvement in agricultural productivity, in fishery and social forestry the purchasing power of rural people has increased. In this situation West Bengal Governments has undertaken some policy measures for the promotion of village industries which are as follows :-

1) The State Govt. has adopted measures for the promotion of village based core industries. The state Govt. runs two training centres for skill development in coir manufacturing -one at Bowli in South 24 Parganas and another at Uluberia in Howrah. The Uluberia centre also offers servicing facilities for extraction and supply of coir yarn to tiny coir units. The State Govt. has commissioned WEBCON to undertake a survey on the potentiality of coir industry in the state.

2) Lac industry is another village industry which has good development prospect in the State. The State Govt lays emphasis on eliminating middlemen by forming Co-operatives of Lac arrisans, specially those belonging to scheduled tribes. These Co-operatives buy lac directly from the grower. The state Govt. has established 23 brood Lac (Seeds) firms in the lac growing districts of Purulia, Bankura, Midnapore, Murshidabad and Malda to meet the requirements of lac growers. The State Government provides training centres and also ensures the supply of stick lac to the artisans in the various training centres. Goverment aslo ensures the supply of stick lac to artisans' co-operatives at reasonable prices.
3) Handicraft artisans are also assisted by the state Government which provides them training, inputs, financial as well as marketing assistance. The State Government provides design guidance to handicraft artisans through Supply of paper designs and prototype samples. The Baruipur Experimental Workshop-cum-Research Institute supplies designs in crafts like horn, bamboo, soft-doll, seashell, Cane, fancy leather boutique, textile printing, mat etc. The state Government also assists handicraft cooperatives financially through the provisions of loans and grants for construction of sheds, for working capital or for equity share participation. Marketing assistance is provided to handicraft artisans and cooperatives by allowing 20% rebate on sales of handicraft products. The State Government disburses the rebate to artisans every year over the sale of their products during all India Handicraft Week and Handicrafts Expo at Calcutta maidan. The State Government apart from local and district level exhibitions, organises a State level exhibition for handicraft products in which 500 artisans can participate.

4) The State Government has also taken up a programme for improving the manufacturing techniques of a number of products in collaboration with the technical institutes. A common facility servicing Centre has been set up in Panchmura of Bankura district. A fuel efficient furnace and other modern accessories are available at the centre. The centre assists artisans to produce high quality Sanitary ware, crockeries and other items. A project to produce fishing hook with upgraded technology has been set up at Barjora in collaboration with CMERI, Durgapur. The State Government has also taken up a programme for improving the technology used by brass and bell metal artisans.
5) Handloom industry is also one of the major rural industries in the State providing employment to 7.12 Lakh persons (as per 1987-88 Handloom Census). The basic strategy of the State Government in the handloom sector is to organise the poor handloom weavers into Cooperatives and to provide these cooperatives with inputs, finance, technical as well as marketing assistance. In order to improve the quality of handloom products and to ensure the development of the industry, from 1993-94 the State Govt. has taken up a programme for setting up Handloom Development Centres (HDC) and Quality Dyeing Units (QDU). The State Government also supplies through West Bengal Handloom and Powerloom Development corporation (WBHPDC) and West Bengal Handloom Weavers CO-operative Society (Apex Society) yarn to handloom Cooperatives and poor weavers. This mitigates to a large extent the problem of inadequate availability of yarn faced by the handloom weavers in the State. The State Government has continued its efforts to increase the production of hank yarn (used by the handloom industry) in the state by financing the expansion of the spinning mills under its control. The State Government through the agencies of WBHPDC and Apex Society assist handloom Cooperatives to market their product. The State Government also operates a number of welfare oriented schemes for the poor handloom weavers in the State. These Schemes include provision for provident fund, thrift scheme for poor weaver, workshop cum housing scheme, insurance cover and pension scheme.
6) Sericulture is another important industry in the rural areas of the state providing employment to about 4 Lakh persons. In this sector the State Government's main objective, has been to encourage the poor and marginal farmers as well as the beneficiaries of land reform measures to take up sericulture activities. In order to induce the rural poor the State Government provides them with land, irrigation facilities, supply of improved variety of cuttings and disease free layings. These efforts are complemented by providing improved rearing facilities, reeling systems and imparting training in improved Sericulture practices to the farmers. An ambitious project, the national Sericulture Project (NSP) has been taken up in the state to double the production of raw silk by extending the area under mulberry under the National Sericulture Project. It is also proposed to strengthen the infrastructure facilities for sericulture by constructing gramage buildings for seed production, and strengthening existing seed farm for augmenting the supply of good seeds. Further more there are proposals for establishment of cocoon markets, training institutes, silk exchanges etc.

After the introduction of the liberalisation policy the central Government has lowered the expenditure on rural infrastructure The State Government is conscious of this and as a means of improving the rural infrastructure the State Government is trying to develop the rural energy sources. To meet the energy requirement specially of the poor people in rural areas through the development of non-conventional energy sources the state Government has taken several steps. In this connection, it may be mentioned that the West Bengal Renewable Energy Development Agency with the assistance of cottage and SSI Department constructs bio-gas plants in the State.
Increasing input cost is a problem of the small scale industries of West Bengal. To solve this problem a nodal agency named West Bengal Small Industries Corporation (WBSIC) has been set up. WBSIC provides infrastructural facilities, marketing assistance as well as scarce raw materials to small scale units in the state. It has also promoted a number of projects through Subsidiary companies.

Industrial sickness is a problem of the small scale industries of West Bengal. The new policy of the central Government has not prescribed any measure to solve this problem. West Bengal Government is thinking seriously about this problem. The state Government has established small Industries Development Agency (SIDA). It assists registered sick small scale units by drawing up rehabilitation package in consultation with banks / West Bengal Financial Corporation (WBFC). SIDA also provides single window services to small scale industries having plant and machinery valued at more than Rs.2 Lakhs for the districts of Howrah, Hooghly, Burdwan, 24 Parganas (North and South) and Calcutta.

In West Bengal Self employment through the expansion of small scale industries has not increased sufficiently. The central Government has tried consistently to improve the technical as well as managerial capabilities of small scale entrepreneurs specially new entrepreneurs who are setting up small scale units for the first time under different programmes like SEEUY or PMRY. In this context the state Government operates an Entrepreneurs Development programme (EDP) in collaboration with different technical and financial institutions. The attitude of the banks have jeopardised the effectiveness of these programmes because the number
of projects approved by the banks for loans as well as the number of projects actually receiving bank loans are very low compared to the number of cases sponsored by the State Government.

In the new liberalised regime small scale industries will not be able to survive through open competition with large and medium scale industries. The State Govt. has therefore been actively trying to promote the linkage of small scale industrial units as ancillaries to large scale industrial units. The Government has laid special emphasis in persuading large Central Government public Undertakings to adopt small scale units as ancillaries. However the response of Central Government undertakings situated in the state of West Bengal has not been encouraging. Out of 85 central Govt. units in the State, only 13 have constituted plant level ancillarisation committee and only 195 small scale industries have been adopted as ancillaries by these large units including the 29 units adopted by Durgapur steel Plant. The State Government has also assisted small scale units to participate in the modernisation programme of Durgapur steel Plant (DSP).

After the introduction of new liberalisation policy of the Central Government the problem of bank credit for the small scale industries of West Bengal has become more acute. The State Government is thinking seriously about this problem. The West Bengal Financial Corporation (WBFC) is the primary State Level agency for providing financial assistance to small scale industrial sector. Over the last five years, WBFC has assisted
9419 small scale units. Roughly about 76 to 80 P.C. of the units assisted by WBFC were new units. WBFC also provides wide ranging financial assistance to small scale industries such as provision of soft loans, share capital contribution, provision for composite loans which include term as well as working capital loans upto Rs. 50,000. It also provides financial assistance to equipment refinance scheme and special scheme for women entrepreneurs.

WBFC also operates a single window scheme for grant of term and working capital loan to the relatively smaller of the new small scale industrial units whose promoters find it difficult to obtain working capital from banks. Under the BSAI ACT, the State Government provides soft loans upto a limit of Rs. 10,000/- mainly to artisan based units in the cottage and small scale industries sector. The State Government has also introduced a new and more comprehensive incentive scheme in 1995 for providing greater incentives to smaller units within the cottage and small scale industrial Sector in the State and also for providing special incentives to entrepreneurs belonging to scheduled castes and Scheduled tribes, to Women and handicapped entrepreneurs and to self-employed artisans. The salient features of this incentive scheme are provision for subsidy on fixed capital investment, exemption of new small scale industrial units from paying Entry/Octoroi duty for a period of 3 Years, entitling new units and established units carrying out substantial expansion outside Calcutta Municipal Corporation, exemption from paying electricity duty for a period of five years from date of commencement of production.
In conclusion we can say that 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 of self-employment, problem regarding development of complementary relationship with large industries and problems relating to inadequate bank credit.