2.1 Unemployment Problems

India is an under-developed through a developing economy. The nature of unemployment, therefore sharply differs from the one that prevails in industrially advanced countries. Lord Keynes diagnosed unemployment in advanced economies to be the result of a deficiency of effective demand. It implied that in such economies machines become ideal and demand for labour fails because the demand for the products of industry is no longer there. Thus Keynesian remedies of unemployment concentrated on measures to keep the level of effective demand sufficiently high so that the economic machine does not slacken the production of goods and services.

This type of unemployment caused by economic fluctuations did arise in India during the depression in the 1930’s which caused untold misery. But with the growth of Keynesian remedies, it has been possible to mitigate cyclical unemployment. Similarly, after the Second World War, when
war time industries were being closed, there was a good deal of frictional unemployment caused by retrenchment in the army, ordnance factories, etc. These workers were to be absorbed in peacetime industries. Similarly, the process of rationalization which started in India since 1950, also caused displacement of labour. The flexibility of an economy can be judged from the speed with which it heals frictional unemployment.

But more serious than cyclical unemployment or frictional unemployment in an under-developed economy like India is the prevalence of chronic under-employment or disguised unemployment in the rural sector and the existence of urban unemployment among the educated classes. It would be worth while to emphasize here that unemployment in under-developed economics like India is not the result of deficiency of effective demand in the Keynesian senses, but a consequence of shortage of capital equipment or other complementary resources.'

The Dantwala Committee states that in an economy like India, there is very little open or outright unemployment but there would be considerable seasonal unemployment and
or under-employment. The report does not think it proper to add up seasonal and disguised unemployment, to arrive at an alarmingly big estimate of outright unemployment. The Committee prefers to draw up a sharp line of demarcation between outright unemployment and unemployment of the remaining types, aggregation of the two being illogical. The difference between the two seems to rest on the duration on unemployment at a stretch.  

On the basis of the National Sample Survey taking all persons under the weekly status criterion, 16 million persons can be considered as unemployed in the sense of open unemployment in the beginning of 1990. On the basis of the ratio derived from the earlier round of National Sample Survey, about 12 million persons are estimated to be severely under-employed in the beginning of 1990. The backlog of unemployment for planning process could thus be around 28 million in the beginning of the Eighth Plan.

Taking 28 million as the backlog of unemployed in 1990, net additions to the labour force during 1990-95 are expected to be 37 million. Thus, the total number of persons
requiring employment during the Eighth Plan would be around 65 million. It is expected that during 1995-2000, labour force would increase by 41 million. Thus, by the year 2000 AD, the total number of job seekers would be around 106 million. The planning commission, therefore concludes employment growth in the aggregate over the estimated employment of 300 million in 1990 would have to be about 4 percent compound per annum. The goal of providing employment to all is to be achieved by the end of the Eighth Plan and over 3 percent per annum if it is to be attained by 2000 A.D.

The Government of India set up a Committee with M.Bhagavti as Chairman to suggest measures to solve, the unemployment problem. The Committee suggested schemes like rural electrification, road building, rural housing and minor irrigation works. These schemes were expected to alleviate rural under-employment and unemployment. It also suggested that the schemes for an agro-service center should be implemented on a high priority basis as it has potential for providing employment and self-employment to engineering graduates and technicians in the rural areas.
Many schemes have been implemented for the purpose to eliminate the unemployment problem. Under the scheme of Marginal Farmers and Agricultural Labourers, families were assisted with subsidized credit support for agricultural and subsidiary occupations like dairy, poultry, fishery, piggery-rearing, horticultural operations, etc. The object of the scheme of Small Farmers Development Agencies was to make available to small farmers credit to enable them to make use of the latest technology to practice intensive agriculture and diversify their activities. Integrated Dry Land Agricultural Development scheme, provided works like soil conservation, land development and water harvesting etc. These programmes were labour intensive and it was estimated that for an expenditure of every one crore of rupees about 15,000 persons would get employment.

Another schemes of Agro-Service Centres provided for assistance for self-employment to the unemployed graduates and diploma-holders in mechanical, agriculture and electrical engineering and allied fields and graduates in agriculture and science with establishing work-shops, organizing agricultural machinery, repairing and hiring facilities and other technical services like supply of spare parts, inputs, etc.
The primary objective of the Crash Scheme for Rural Employment scheme was to generate additional employment through a network of rural projects of various kinds which are labour-intensive and productive. The scheme had a two-fold purpose, (i) A Project in each block was to provide employment to 100 persons on an average continuously over a working season 10 months in a year, (ii) Each Project was to produce works or assets of durable nature in consonance with the local development plans. The various types of projects included schemes relating to minor irrigation, soil conservation and afforestation land reclamation, flood protection and anti-water logging, pisciculture, drinking water and construction of roads.

The above said various schemes plan could not succeed in removing rural unemployment and underemployment because efforts were not made to organize the army of the rural unemployed into appropriate supply camps to be shifted to places of demand at the desired minimum wage.

The Food for work programme was restructured and renamed as National Rural Employment Programme (NREP) from October, 1980. This is being implemented as centrally
sponsored programme with 50 percent central assistance. Additional employment of the order of 300-400 million man days per year for the unemployed and underemployed is envisaged under Programme

Besides this, the Programme aims to create community assets for strengthening rural infrastructure. These include drinking water wells, community irrigation wells, village tanks, minor irrigation works, rural roads, schools and Balwadi buildings, Panchayat Shars etc. Review of the progress of National Rural Employment Programme during the first four years of the Seventh Plan reveals that Rs.2,940 crores was spent during 1985-86 and 1988-89 but as against it, the employment generated was of the order of 1477 million mandays. While more funds have been pumped into the programme, common rate increase in employment generation has not come about. Besides this on the basis of the studies conducted by National Institute of Rural Development, Indian Institute, of Public Administration and Gandhi Labour Institute highlights some of the shortcomings of the programme. It is revealed that employment being provided under the programme is for a very hot duration and cannot make an impact on the levels of living of the rural people.
2.2 Role of small-scale industries

The RBI uses an expanded definition of Small Scale Industries (SSI) which includes: a) Small-scale industrial undertakings which are engaged in manufacture, processing or preservation of goods in which the investment in plant and machinery does not exceed Rs.3.00 crore. These would, inter alia, include units engaged in mining or quarrying, servicing and repairing of machinery, b) Tiny enterprises whose investment in plant and machinery does not exceed Rs.25.00 lakhs, c) Power looms, d) Traditional industries which require high workmanship and technique as also village and household industries producing common goods of consumption, predominately by using simple tools. e) The decentralised and informal sectors like handlooms, handicrafts, coir etc., and f) The industry related service/business enterprises which are notified as such.³

Though India is primarily an agrarian society, she is one of the ten largest industrial powers of the world. The small-scale sector is a major contributor to the industrial economy of the country. They provide immediate large-scale employment, offer a method of ensuring a more equitable
distribution of the national income and facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create can be avoided by the establishment of small scale units all over the country.

The small-scale industries sector which plays a pivotal role in the Indian economy in terms of employment and growth has recorded a high rate of growth since Independence in spite of stiff competition from the large sector and not so encouraging support from the Government. This is evidenced by the number of registered units which went up from 16,000 in 1950 to 36,000 units in 1961 and to 30.14 lakh units in 1997-98.

During the last decade alone, the small-scale sector has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro-wave components, electro-medical equipment, T.V, sets, etc.
The Government has been following a policy of reservation of items for exclusive development in the small-scale sector. At the time of the 1972 census of small-scale Industrial units, there were 177 items in the reserved list. By 1983 the reserved list included 837 items for exclusives production in the small-scale sector. These units produce over 7,500 commodities.

The result of the second All-India census of registered small scale industry units by the Small Industries Development Organization (SIDO) for 1987-88 revealed that out of 9.87 lakh registered Small Scale Industry (SSI) units as on 31st March 1988, about 3.05 lakh units which constituted about 31 percent of total registered units were closed and another 57,000 (5.8 percent) were not traceable. In other words 36.7 percent of the total number of units were non-functional. By 1991-92 total number of small-Scale Industry (SSI) units has gone up to 20.8 lakh, 14.96 lakhs registered with the State Industries Departments and 5.84 lakhs unregistered units. Even among them between, 30 to 40 percent of registered units, according to Economic Survey (1992-93) were non-functional.
Out of 5.82 lakh working units for which data were tabulated, 96.2 percent were Small Scale Industry units, 3.2 percent were service establishments and 0.5 percent were ancillary units.

The results of 1987-88 census reveal that fixed investment per unit has gone up from Rs.0.76 lakhs in 1972 to Rs.1.60 lakhs in 1987-88 in fact during this period, wholesale price index has shot up to 348.9 percent. Taking this into account there is a fall in terms of real investment per unit in 1987-88. The point worth noting is that value of output per employee has shown an increase from Rs. 15,740 to Rs.1.17 lakhs during 1972 and 1987-88. This is a very heartening development. Besides this, there is a distinct improvement in output investment ration. This indicates improvement in capital-productivity in the Small-Scale Industry sector, which is really welcome. On an average, with an investment of Rs. 1 lakh in fixed investment, it is possible to provide employment to 4 persons in 1987-88.
Capital-labour ratio of the small-scale enterprises is quite favorable. This underlines the relatively low capital-employment ratio in small industries. It also underlines the need to increase their share in the investment-mix of the economy to solve the problem of unemployment.

The number of small-scale units have grown from 4.2 lakhs in 1973-74 to 30.14 lakhs in 1997-98. During the same period of 24 years, employment has grown from 4 million to 6.72 million and output has increased from Rs.7.200 crores to Rs.4,65,171 crores.

The average annual growth rate of employment in the small-Scale Sector for the period 1980-81 to 1990-91 works out to be 5.8 percent and that of production to be 18.6 percent. Whereas the growth rate of employment is commendable and strengthens the belief that the absorption of surplus labour can really take place in the Small Scale Sector, the high growth rate of 18.6 percent exaggerates the achievements since figures of production are at current period and thus they conceal the inflationary rise in production. At 1981-82 prices, production of the small-scale sector grew from Rs. 30,810 crores in 1980-81 to Rs.85,025
crores in 1990-91 giving an annual average growth of 11.7 percent which is much higher than the growth rate of industrial production in the large-scale sector which was only 7.8 percent for this period. For the 7 year price (1990-91 to 1997-98), production of the Small Scale Sector (at 1981-82 prices) further increased from Rs.85,025 crores to Rs.1,41,046 crores increasing at an average growth rate of 7.5 percent.

There is an element of growth brought about by rest while large scale units being shifted to the small-scale sector with every upward revision of investment ceiling for small scale industries after 1973-74. Obviously, the growth rate of the small-scale sector has been faster both in terms of output and employment. The output employment ratio for the small-scale sector is 1:1.4. The rapid growth of the small-scale industries has a great relevance in our rational economic policies. The growth of the small sector improves the production of the non-durable consumer goods of mass consumption. As such, it acts as an anti-inflationary force. If a big push is given to the small sector, it can be become a stabilizing factor in a capital-scarce economy like India by providing a higher output capital ration as well as a higher employment capital ratio,
In this connection, we may refer to the relatively low-capacity utilization in the small-scale industries. The capacity utilization in the small sector as a whole was of the order of 53 percent. There were however, many units having high capacity utilization. Industry utilizing 60 to 80 percent of the capacity included leather goods, readymade garments, tiles woollen knitwear, etc. Industries like plastic products had very low capacity utilization (29 percent).

Substantial increase in exports were observed in the case of ready-made garments, canned and processed fish, leather sandals and chappals, food products, hosiery and marine products increased to Rs. 1,643 crores in 1980-91 and to a record high figure of Rs. 43,946 crores in 1997-98. A very significant feature of exports from the small scale sector is their share in non-traditional exports. The share of exports from the small-scale sector represents about 34 percent to total exports in 1997-98.

Interstate dispersal of industries indicates that six states, Maharashtra, Tamil Nadu, West Bengal, Uttra Pradesh, Punjab and Gurajat account for 59 percent of the total units in the small sector, 62 percent of total
employment, 66 percent of total investment in fixed assets and 69 percent of gross output. The states which have lagged behind in encouraging small scale industries are Rajesthan, Madhya Pradesh and Orissa.

Some concentration was observed in location of small-scale units on account of specialization by particular districts. 92 percent of total woollen hosiery units were in Ludhiana, 82 percent of cotton hosiery in Coimbaore, Ludhiana, Calcutta and Delhi, 63 percent of bicycle parts and accessories in Ludhiana, 52 percent of bolts and nuts in Ludhiana, Jalandhar, Howrah and Greater Bombay together with 21 percent of iron and steel castings and forgings in Jalandhar.

The results of the census for 1987-88 reveal that 84 percent of the total number of Small units had fixed investment up to Rs.2 lakhs. Similarly, the annual production of 89.2 percent of the units was less than Rs.10 lakhs and nearly 88 percent of the total units employed up to a persons. All the three criteria indicate the predominance of the tiny units. Besides this the census reveled that:
(i) 11 percent of the items manufactured in Small Scale Industry Sector are reserved.

(ii) Production of reserved items constituted 28 percent of total production.

(iii) About 60 items constitute 80 percent of the total production of reserved items.

(iv) 24 percent of the 25.7 lakhs units have come up in reserved items.

The obvious conclusion is that the growth of small-scale industries in terms of number and output is comparatively much higher in reserved items than in unreserved items. The policy of reservation has, therefore, positively, helped the growth of this sector.

Despite such positive evidence in favour of reserved items, the union Budget (1997-98) deserved 14 items hitherto manufactured by small-scale industry sector. These items include ice-cream, biscuits, synthetic syrups, a variety of automobile parts, corrugated paper and boards, vinegar poultry feed, rice milling, Dal milling etc. Need it be mentioned that all the 14 items were among the successful category of small-scale industry items manufactured. The union Budget of 1998-99 decided to deserve one more item agricultural implements. These decisions have adversely affected the small sector.
Small-scale enterprises have been the subject of controversy in the past and the controversy continues even to this day. Some are ardent supporters of small enterprises, while others vehemently oppose them. It would be worthwhile to examine the arguments have been briefly summarized in the Industrial Policy Resolution of 1956 which States.

They provide immediate large-scale employment they after a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skills which might otherwise remain unutilized. Some of the problem that unplanned urbanization tends to create will be avoided by the establishment of small centers of industrial production all over the country. The industrial policy resolution therefore, puts forth four arguments in favour of small enterprises.

Emphasizing the employment argument Karve Committee 1955 stated; The principle of self-employment is at least as important to a successful democracy as that of self-government. The argument is based on the assumption that small enterprises are labour-intensive and thus create more
employment per unit of capital employed. It is also assumed that the low cost on overheads in such enterprises parity compensates for the otherwise high cost visa-vis large enterprises. Thus, it is argued that, let alone capital goods industries and the building up of social and economic infrastructure where capital-intensive projects are a necessity, in other spheres of production in a developing economy, small enterprises which help to enlarge the volume of employment with scarce capital should be encouraged.

This argument has been opposed by Dhar and Lydall who hold that employment should not be created for the sake of employment. There should be an economic justification for it also. Dhar and Lydall argue, Employment as such can be created by simply adding on extra workers at any point one liked in the productive process. The important problem, is not how to absorb surplus resources, but how to make the best use of scarce resources. Thus, the employment argument is really an output argument. It implies that Small enterprises maximize output from Scarce Capital and entrepreneurship. Employment creation follows as a necessary corollary. Dhar and Lydall on the basis of their enquiry find that where as in
large enterprises working two or three shifts is quite common, it is not so in the case of small enterprises. Thus, though apparently small enterprises appear to employ less capital per unit if output, but in general, the most capital-intensive type of manufacturing establishments is the small factory using modern machinery and employing up to 50 workers.

The Government announced small sector industrial policy towards the small sector on 6th August 1991. The main features of the policy were. The small-scale Industrial sector has emerged as a dynamic and vibrant sector of the economy during the eighties. At the end of the Seventh Plan period, it accounted for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. It also provided employment opportunities to around 12 million people.

The primary objective of the small sector Industrial policy during the nineties was be to impart more vitality and growth-impetus to the sector to enable it to contribute it is mite fully to the economy, particularly in terms of growth of output, employment and exports.\textsuperscript{4}
2.3 Tiny and cottage industries

Government have already announced increase in the investments limits in plant and machinery of small scale industries, ancillary units and export-oriented units to Rs.60 lakhs and Rs.75 lakhs respectively. Such limits in respects of Tiny enterprises would now be increased from the present Rs. 2 lakhs to Rs.5 lakhs, irrespective of locations of the unit..

Hence forth all Industry-related Service and business enterprises, irrespective of their location, would be recognized as small scale industries and their investment ceilings would correspond to those of tiny enterprises.

It was decided to widen the scope of the National Equity Fund Schemes to cover projects up to Rs. 10 lakhs for equity support (up to 15 percent). Single window loan scheme has been enlarged to cover projects up to Rs.20 lakhs with working capital margin upto Rs. 10 lakhs. Composite loans under single window scheme, now available only though state financial corporations (SFCS) and twin function State Small Industries Development Corporation (SSIDC) would also be channelised through commercial banks. This would facilitate access to a large number of entrepreneurs.
Inadequate access to credit - both short term and long term - remains a perennial problem facing the small scale sector. Emphasis would hence forth shift from subsidized cheap credit, except for specified target groups, and efforts would be made to ensure both adequate flow of credit on a normative basis, and the quality of it is delivery for viable operations of this sector.

To provide access to the capital market and to encourage modernization and technological up gradation, it was decided to allow equity participation by other industrial under takings in the small scale industry not exceeding 24 percent of the total share holding. This would also provide a powerful boost to ancillarisation and sub-contracting, leading to expansion of employment opportunities.

A beginning has been made towards solving the problem of delayed payments to small industries by setting up of factoring services through Small Industries Development Bank of India (SIDBI). Net work of such services would be set up throughout the country and operated through commercial banks. Factoring services imply that small industries
Development Bank of India or any commercial bank will buy the manufactures invoices from small-scale industries units and take the responsibility for collecting payments due to them by charging a commission.

A Technology Development Cell (TDC) would be set up in the small Industries Development Organization (SIDO) which would provide technology inputs to improve productivity and competitiveness of the products of the small scale sector. The Technology Development Cell would coordinate the activities of the Tool Rooms, process-cum product Development Centers (PPDCS), existing as well as to be established under small Industries Development Organization, and would also interact with the other industrial research and development organizations to achieve its objectives.

Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small-scale sector, particularly the tiny sub-sector.
National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between National Small Industries Corporation and State Small Industries Development Corporation would be established.

Through the small scale sector is making significant contribution to total exports, both direct and indirect, a large potential remains untapped. The Small Industries Development Organization has been recognized as the nodal agency to support the small scale industries in export promotion.

Industry Associations would be encouraged and supported to establish quality counselling and common testing facilities. Technology and Markets would be established.

Indian Institutes of Technology (IITs) and selected Regional or other Engineering Colleges will serve as Technological Information, Design and Development centers in their respective command areas.
Government will continue to support first generation entrepreneur through training and will support their efforts. Large number of EDP trainers and motivators will be trained to significantly expand the Entrepreneurship Development Programmes (EDP) Industry Associations would also be encouraged to participate in this venture effectively, women entrepreneurs will receive support through special training programmes.

Handloom sector contributes about 30 percent of the total textile production in the country. It is the policy of Government to promote handloom to sustain employment in rural areas and to improve the quality of life for handloom weavers.

Janata cloth scheme which sustains weavers often on a minimum level of livelihood will be phased out by the terminal year of the VIII plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernization of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.
The key areas in handicrafts that could contribute towards a faster pace of rural industrialization are production and marketing, scheme for training and design development and for production and marketing assistance will be given encouragement.

The activities of the Khadi and Village Industries Commission and the state Khadi and Village Industries Boards would be expanded and the organizations strengthened to discharge their responsibilities more effectively.

The programme of intensive development of Khadi and Village Industry through area approach with tie-up with District Rural Development Agency (DRDA) Training of Rural Youth for self employment (TRYSEM) and ongoing developmental programmer relating to weaker sections like scheduled castes, scheduled Tribes and women would be extended throughout the country.

Despite an expected reduction in the growth rate of population to 1.58 percent per annum by the end of the Ninth Plan, the labour force growth reaches a peak level of 2.51 percent per annum during the Ninth Plan period. Population
is expected to touch 1,029 million by the end of the Ninth Plan, indicating an increase of 78 million during the plan. The growth rate of the labour force is determined partly by the age structure of the population and the age and sex specific labour force participation rates. Labour Force Participation Rates (LFPR) are available for 1993-94 on the basis of national sample survey data. The projections of population and labour force reveal that job opportunities will need to be created for 53 million persons during 1997-2002 as a consequence of labour force increase, for 58 million during 2002-2007 and thereafter for 58 million during 2007-12.

The Ninth Plan has prepared estimates of employment: elasticities (relationship of employment to output) on the basis of (i) Employment and unemployment estimates and (ii) Estimates of output made using national, income concepts. Employment elasticity for different periods. On the basis of the actual employment elasticity the projected employment elasticity for the Ninth Plan has been worked out.

If may be noted that employment elasticity for the economy as a whole which was 0.40 during the decade 1983 to 1993 is likely to show a marginal decline to 0.38 during the
Ninth Plan (1997-2002). This is largely due to a decline in the employment elasticity of manufacturing from 0.33 to 0.25 and of finance, real estate and insurance and business services from 0.90 to 0.53.

On the basis of the projected GDP growth rate and employment elasticity of the various sectors, the employment growth rate in various sectors has been calculated. Applying these sectoral growth rates to work opportunities in 1997, the employment potential in 2002 has been worked out. The data reveal that employment is likely to increase from 391.4 million in 1997 to 441.5 million in 2002 indicating an increase of 50.1 million work opportunities.

It may be noted that out of the projected increase of employment of the order of 50 million during the Ninth Plan. 24.2 million employment opportunities (48.2 percent) would be created in agriculture alone. Obviously agriculture is expected to absorb nearly half of the additional labour force. Next in importance of 7.43 million additional jobs (14.8 percent) of total, followed by wholesale and retail trade contributing 6.9 million jobs, (9.3 percent) of total.
Aggregating these major employment generating sectors, 86 percent of the total additional work opportunities will be provided by them. Therefore sectors, which have greater labour absorption capacity, should be chosen while planning expansion of job opportunities.

2.4 Development of Village handicrafts and cottage industries

There is a vast scope for the development of cottage and village handicrafts. Already the products of village handicrafts have begun to earn foreign exchange. This needs to be encouraged further, these village industries can be used to manufacture not only consumer goods by our farmers, such as ploughs, picks, shovels, wheel, barrows, etc, in addition a number of ancillary and feeder industries can help to manufacture such goods, which may ultimately be produced in the large scale sector. Certain parts of agricultural machinery other equipment may be produced per specification in rural areas.

The proportion of non-agricultural employment in rural areas has increased from 14 percent in 1972-73 to 19 percent in 1983 and further to 2 percent in 1987-88. There is a need to strengthen this trend further so that employment
generation potential of rural areas can be realized. With suitable promotional policies, including those relating to locating infrastructural support and credit, it would be possible to expand employment in non-agricultural sector in the rural areas.

An analysis of trends of output and employment in manufacturing industries reveals the following:

i) Output in the manufacturing sector has grown at a faster rate than employment in the sector.

ii) There has been a shift in the pattern of investment and output in favour of heavy industries, as against light industries. As a consequence, the output of the heavy industries sector, viz, metal product industries, non-metallic, mineral product industries basic metal industries, chemicals and petro-chemicals has grown at a much faster rate as compared with light industries, viz, cotton textiles, footwear, wood products, food and tobacco manufacturing which have been relatively stagnant.

iii) Heavy industries in which bulk of the additional capital investment was made being more capital-intensive, provide much less scope for expansion of employment than light industries.
It may also be noted that in the manufacturing sector, village and small industries contribute 42 percent of value added but account for 80 percent of employment. Obviously for an employment-oriented strategy, it would be desirable that a major portion of the output in the 1990's is derived from this sector, it would be imperative to undertake a programme of technological upgradation, even if this results in a small decline of employment potential per unit of output.

From this it would be incorrect to infer that all small-scale units are labour-intensive and all large scale units are capital-intensive. This assumption has not been found valid.

Capital or labour intensity is not simply a function of size of invested capital. Similarly, in the organized sector, a number of industry groups have a reasonably high employment potential.

The Planning Commission has recently identified the following industry groups with high employment potential and low Incremental Capital Output Ratio(ICOR).
Fish canning and preservation, bakery, manufacture of sugar and khandsari, tobacco products, cotton ginning, cleaning, printing and dyeing, khadi, handloom textiles, powerlooms, wool spinning and weaving dyeing and bleaching of woolen textiles, leather products, matches, textiles products, Fruit; and vegetables canning, jute and mesta products and glass and glass products. Growth of output in structural clay products, bicycles, metal products, paints and varnishes, dairy products, printing and dyeing of synthetic textiles, wine drugs and medicines and batteries also has high employment content and Incremental Capital Output Ratio (ICOR) is also found to be not so very high in these cases.

The upshot of the entire arguments is that the pattern of investment should be so oriented by a scheme of incentives that it results in deriving large amount of output from industries with high employment potential and low Incremental Capital Output Ratio (ICOR) both in organized and the unorganized sector.
In the service sector, two major areas of high employment potential are road construction and housing. At present 31 percent of the villages in the population group 1000 to 1500 and 10 percent of villages with larger size are unconnected by feeder roads. In case, a programme of construction of 8 lakhs kilometers of roads is undertaken, it can generate an employment potential of 22.8 million person years.

A massive programme of housing for rural and urban poor should be undertaken. For this, not only land sites should be provided to the poor, but they should be guaranteed access to adequate housing resources. Liberal provision of credit to the poor for the purpose can generate very large employment.

Conversion of single teacher schools at the primary level into 3.4 teacher schools shall also help to enlarge employment. According to the Fifth All India Educational Survey (1986), about 28 per cent of primary schools, numbering about 1,48,000 had only one teacher each providing 3 teachers in each of them would create 3 lakhs additional jobs.
Development of rural health facilities by enlarging the number of dispensaries, and hospitals and equipping them with modern facilities has the potential of creating another 2.7 lakhs jobs for the rural health infrastructure built up by 1989-90. There is much greater scope for further expansion of employment in this area.

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2.5 Performance of SSI during the post reform period

After the introduction of economic reforms, SSI has to swim in market oriented system, which is entirely different and new to the sector. It has to face severe competition from all quarters. At the same time it loses the protective sources. The question of survival provides vision to the sector how to thrive in the changed scenario. The overall performance of SSI sector during the post reform period is presented in table-I which will inform the position of SSI.

**Table 2.1**

Performance of SSI Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in lakh)</th>
<th>Output (at current prices-Rs. crore)</th>
<th>Employment (Lakh Nos)</th>
<th>Exports Rs. in Crors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>20.8</td>
<td>178699</td>
<td>129.8</td>
<td>13883</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.5</td>
<td>209300</td>
<td>134.1</td>
<td>17785</td>
</tr>
<tr>
<td>1993-94</td>
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<td>241648</td>
<td>139.4</td>
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<tr>
<td>1994-95</td>
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<td>293990</td>
<td>146.6</td>
<td>29068</td>
</tr>
<tr>
<td>1995-96</td>
<td>77.2</td>
<td>356213</td>
<td>152.6</td>
<td>36470</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.57</td>
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<td>160.0</td>
<td>39429</td>
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<tr>
<td>1997-98</td>
<td>30.14</td>
<td>465171</td>
<td>167.2</td>
<td>44437</td>
</tr>
</tbody>
</table>

Growth rate: 8.03**

Exports: 44**

Employment: 5.2**

Sources: Reserve Bank of India (1998)

** Significant at 1 per cent level
Table 2.1 reveals that the performance of SSI sector in terms of growth of number of units, output, employment and exports is at satisfactory level. The growth of number of units is higher than others. The growth rates show that economic reforms do not bring any negative effect on SSI sector.

In addition to SSI, traditional industries such as Khadi and Village Industries (KVI), handloom, coir, sericulture etc., play a significant role in the growth and development of India's rural economy. The contribution of KVI for upliftment of rural and semi-urban areas is laudable. Khadi and Village Industries Commission (KVIC) is taking care of planning and promotion of KVI. The performance of KVI sector in the post reform period is presented in table - 2.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Rs. crore)</th>
<th>Sales (Rs. crore)</th>
<th>Employment (lakh Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>4516</td>
<td>4814</td>
<td>58.17</td>
</tr>
<tr>
<td>1997-98</td>
<td>4519</td>
<td>5065</td>
<td>56.50</td>
</tr>
<tr>
<td>1998-99</td>
<td>5112</td>
<td>5583</td>
<td>58.29</td>
</tr>
<tr>
<td>1999-2000</td>
<td>5663</td>
<td>6289</td>
<td>60.20</td>
</tr>
</tbody>
</table>

Growth rate (per cent per annum) 10.21* 11.76* 1.39*

\textit{Source}: Meenakshi Sundaram (2000)

* Significant at 1 per cent level.
Table 2.2 shows that the performance of KVI sector in recent years is remarkable in the growth of production and sales rather than employment. These figures reveal that the economic reforms particularly second generation reforms are not badly affecting KVI.5

2.6 Organisation

In India, the possible alternatives for the location of the Department of Small Industry are the Prime Minister's Secretariat, the Cabinet Secretariat or the Planning Commission. The first two are small, tightly-knit organisations which cannot accommodate a vast field organisation like SIDO, while the third is concerned more with planning and long-term perspectives than with the operational details of day-to-day work. Since the Ministry of Industry continues to perform some nodal functions particularly in the formulation of policy, and also controls the public enterprises it may he preferable to retain the department of small industry in that ministry with the specific understanding that it has the right to advise other ministries, so far as small industries are concerned.
It may also be useful to require if necessary by a statute the DC SSI to submit an annual report to Parliament on some broad aspects of small industry such as the amount of additional employment created, the degree of dispersal to backward areas, the share in the Government Purchase Programme, the progress of the Reservation Policy and the state of health of the sector as a whole. Such a report will provide the highest forum in the country with a survey of small industry which would be useful in framing new initiatives.

2.7 Small industry commission

The effectiveness of the proposed Department of Small Industry is largely dependent on how closely it interacts with the industry both through recognised associations and through individual enterprises. At one time, the SSI Advisory Board, of which the Minister for Industry is the Chairman and the DC SSI the Member Secretary, used to perform the function. Its half-yearly meetings used to witness considerable interaction between industry. Government representatives, banks and others; its standing committees on credit, modernisation, ancillaries, export marketing, etc. used to report at the next session of the Advisory Board.
However, over the years these institutions have become stagnant. The Advisory Board itself has become more a meeting of the State Ministers of Industry who would read out, with due deliberation, statements prepared by their senior officials on the problems of small industry in their States. There is hardly any opportunity for industry representatives to voice their views and the deliberations have thus become purely official meetings—convened at infrequent intervals and rarely more than once a year; The standing committees, consisting mostly of officials, meet very few times reducing the whole exercise to a mere formality. The only interaction the DC 551 has with industry is at the Annual Conventions of Industry Associations, but these, in turn, have their own set format and rarely provide an opportunity for a free and frank discussion.

It is therefore suggested that a Small Industry Commission be set up to advise the DC SSI periodically on all matters relating to industry. Such a commission, patterned after similar commissions working in electronics, atomic energy space oil and natural gas and khadi, may consist, of no less than
five and not more than seven members. Of the seven, 2 or 3 may be drawn from small industry one from technology; one from finance, and one or two eminent non-officials conversant with the problems of industry.

The DC SSI can be the Chairman of the Commission, and the close association with such a group will provide him with informed and useful advice particularly on fiscal policy in which the expertise within SIDO is inadequate. The membership of the Commission, which will be on a pureh/honorary basis, may be for a period of three years, after which it may be changed to provide representation to other regions and sub-sectors. The suggestion for a small industry commission was made as far back as 1969 by the administrative reforms commission.
References


