CHAPTER - III

REVIEW OF LITERATURE

The review of past studies relating to the management models on small and cottage industries are presented in the second chapter. The chapter is divided into two parts. The first part gives a clear picture on the studies related to role of SSI in employment generation aspect. The second part has been divided into four sections. The first section deals with the independent enterprise management models - ISB scheme of IRDP sectors. The studies on cooperative models- handloom society are presented in the second section. The studies on the federated enterprise models-KVTC supported in KVI board are explained in the third section. The last section explains the studies on contract job models.

3.1 Small-scale asid cottage industries on employment generation

Choudliary\(^1\) conducted a study in Madhya Pradesh to find out the role of crop and dairy enterprises in income generation and sustainable rural employment and labour utilization. The study found that dairy enterprises generates
better economic returning in farming situations of agriculture combined with dairy enterprise specially with large dairy here size due to minimum cost of milk producing, using surplus farm family human labour and by product. The study further indicates that male labour power is mainly responsible for the viability of the dairy enterprise. The percentages of female labour engaged in both the categories are more than that of male labour.

Dwarakanath² derived that unemployment and poverty continues to plague the Indian economy. Despite almost half a century of planned development, the magnitude as well as the percentage of unemployment and under employment, has been on the rise. A national programme of rural development should include a mix of activities including projects of raise agriculture output, employment opportunities, to improve medical and health, education, rural housing and to expand communication facilities.

Navin Chandra Joshi³ pointed out that if rural development has to gain strength, then economic and social life of he rural poor, consisting of small and marginal farmers,
landless laborers, tenants and other weaker sections, must be improved through providing them subsidiary occupations. The immense benefits derived from the Jawahar Rojgar Yojana need to be assessed and its functioning may now be analyzed thoroughly afresh with a view to optimize its potential for employment.

Kriba Shankar analysed that the potential of employment generation in agricultural activities and allied sectors in the rural areas and found that gainful employment can be provided to the unemployed in areas like water and soil conservation works. In India, five persons per village are given employment in such work and it would provide jobs for 30 lakh people. And above all they don't have to venture out of the village in search of employment. There is a contradiction in providing employment in rural areas. On the one hand, many people are unemployed, as they do not have any work. On the other hand such useful activities as water and soil conservation, free plantation etc, which would have provided employment to those people, are not being
undertaken. This applies to the works such as construction of roads, link roads, godowns etc., The first prerequisite to remove this contraction is to ensure all villagers participation in such works.

A study conducted by Souiidarapandian in Kamarajar district of Tamil Nadu revealed that majority of unemployed-trained hands opted for village and small industries and consequently they crossed the poverty line. Setting up of training centers under administrative departments and easy availability of bank finance will doubtlessly bring in desired success to the satisfaction of both the Government and the beneficiaries.

Soundarapandian pointed out that the NREP in Kamarajar district has made a positive contribution in creating social assets, which have a positive social and economic value in the life of the rural areas to reduce their poverty. However generation of employment to the rural poor is not adequate. In some cases, there is non-availability and irregular supply of Workers. To ensure the regular supply of labour, the planners should estimate the extent and nature of unemployment and the suitable period for the successful implementation of the Programme.
The household industries sector has accounted for about 4.6 million enterprises or 77.5 percent of the total industries sector employing 8.1 million persons or 39.9 percent of the total employment in the sector vis-a-vis 6.8 million persons of 33.8 percent of the total employed in organized manufacturing sector. During the period between 1961 to 1991 there is decline of 31.6 percent in employment provided by this sector and such decline has become thinner in the female employment, which came down almost by 55 percent from 3.3 Million in 1961 to 1.5 Million in 1991. Increasing labour inputs indicating a positive relationship between value added per worker and output of the units can increase the output. There is a larger scope for providing more effective employment in terms of income to those engaged in rural industries.\(^7\)

The study of Hina Sidhu \(^8\) shows that in Mehsana trie small-scale industries are playing an important role in employment generation. The employment per Small-Scale Industry unit has increased over the 3 years, which is a contrary to the trend at national level. Therefore, while
making any change in the industrial policy, the government should give adequate weight to the Small Scale Industry. As such the items produced by the small and cottage industries in the rural and backward areas should be reserved for the Small Scale Industry sector and adequate arrangements should be made for quality checks of raw materials and products. The Government should also ensure the sale of certain items through sales agencies in the urban areas.

Despite that relatively their direct labour absorbing impact has been small, in countries, with much unemployment or under employment and with small capacity to produce and limited foreign exchange to import capital goods, the development and use of intermediate technology will permit the absorption of more labour through advanced methods while still permitting substantial increases in productivity.  

According to Udaya Baskara Reddy, maximum number of units in urban areas employ 2-4 persons (54.33 percent), which signifies that household industries cannot absorb more number of persons per unit. The average number of persons per unit is only 1.7 and 2.2 for rural and urban areas respectively and the combined average per unit is 1.8.
JaiswaJ\textsuperscript{11} in his article narrated that the cost of employment in rural industries is very low as compared to the cost of employment in large and small industries, while Rs.1Lakh to Rs 1.5 Lakh is required for employing one person under large scale industry and about Rs.15, 000/- to Rs.50, 000/- to small scale industry, only Rs.500 to Rs.5000 is required under village industries.

Rural industry was the principal source of employment for all categories of workers, irrespective of the size of landholdings and sex. Even during the peak agricultural season, rural industry provided as much as 54 percent of the household employment for the worker families. However, the magnitude of seasonal variation in rural industry employment has been lesser among male workers than among female workers. Rural industry provided 84 percent of the family income in cottage industries and 96 percent in rural small industry entrepreneurs. Rural industry incomes have had a positive effect in reducing the magnitude of income inequality among entrepreneurs as well as worker households.\textsuperscript{12}
In the case of household industries in Madhya Pradesh, conflict between employment, and technology did not arise as much as it did in the case of non-household industries. In fact, the practice of adopting increasingly capital intensive production function either consciously (or prestige reasons or unconsciously as a consequence of direct Government controls, provided detrimental to the growth process under condition of an unlimited supply of labour.\textsuperscript{13}

Subhrendu Bhattacharya\textsuperscript{14} observed that while there is no need to panic in the fear of mounting unemployment in future emanating from privatization of public enterprises. The micro economic and macro economic efficiency gains are likely to be substantial only if privatization is pursued along with policies of deregulation and liberalization. Steps will have to be taken to make the economy market oriented and to focus on maximization of competition besides keeping regulatory systems in place to regulate private ownership of the enterprise.

Another study in Orissa found that the effect of the number of units is more significant than the other factors. The increasing capital investment in industrial sector is found to be
a reductive factor in determining the employment. However, small-scale industries unit is found to create more employment opportunities as compared to the large and medium scale unit. In this situation if the government intends to increase the employment opportunities through industrial sector it would give priority to develop small scale industry units in its policy perspective.¹⁵

Sridhar¹⁶ in his article narrated that the growth of small-scale industry has been one of the most significant features of planned economic development. The sector contributes 40 percent of the total industrial output besides having 35 percent share in exports. Even after liberalisation the sector has registered consistent growth. The necessary trend in the economy has played a spoilsport in the sector's growth.

3.2.1 Management models for employment

3.3.1 Independent enterprise model

Soundarapandian¹⁷ found that as in the case of this study under reference financial assistance under IRDP would be more purposeful if concentrated on village industries rather than on small business of service sectors. The village
industries comparatively provide more amounts of income and employment for the beneficiary household on an average to cross the poverty line. The redefined rural industries should be fully exempted from excise and sales tax so as to make their production, cost effective and competitive. This will help the village industries to utilize their profit on technology upgradation and diversification. Necessary steps have to be taken to improve the credit-deposit ratio for rural credit institutions. Apart from the performance of NABARD, a separate financial corporation may be set up for providing confessional finance to rural industries.

Sundaram pointed out that the India's share in the world trade of floriculture was only 0.6 percent till 1990. After the implementation of liberalized economic policy entrepreneurs started setting up export oriented units. India tiad only two green house projects in 1989, but now more than 70 units are producing cult flowers for export under' green house'. The floriculture industries are doing well in bangalore, Hyderabad, Tiruvananthapuram, Delhi, Pune and Guargoan in Haryana. But the industry is facing some
hurdles such as cold storage warehouses and refrigerated trucks spoil the flowers. There is no direct air service to European cities to export the flowers. And there is no proper quality oriented technology for the growth of the floriculture and the Government should devote its attention to the development of the technology.

A study was conducted in Pollachi Taluk of Coimbatore District in order to analyse the investment pattern, employment pattern in the coir industry. It reveals that the labour share to the total cost accounted for 10.36 percent. The results indicate the potential for increasing the turnover using more and more of raw materials namely, coconut tusk, miliarly there exists potentiality for increasing the labour and wage rate. The total labour force for different units work out to 14.32 labour days per unit per day in the case of defibering units without conveyers, 7.3 labor days per units in the case of defibering units with conveyers and 17.35 labours days per unit in the case of curling units. The units also provide employment for both men and women.\(^{19}\)
Papain 20 derived that in pottery, mat making, bed making, lampshade making, wiremeshing, handloom and food products making, an increase in capital is associated with an increase in output as well as in employment. In carpentry, blacksmith, and leather products making an increase in capital lead to an increase in output.

A study explained that the empowering women through the employment and income generating activities under Arivoli Mahalir Iyyakkam of Madurai District: is successful in reducing the gender gap and development of women after getting education through the mass literacy campaign. The government and the public could encourage such type of voluntary organizations for the Women's Movement.21

Another study found that the manufacturing enterprises in rural areas generally suffer from absolute disabilities of outmoded technology, marketing and finance. These have been tried to be remedied through half-hearted intervention, and inducements. The other issues will be tackled on those of policy, credit and marketing in the context of liberalization.22
A case study of employment potential in brick kilns reveals that about 90 percent are employed for a period of 120 to 150 mandays during a year. The study demonstrates that the rural industry has a great promise in alleviating the rural unemployment problem.\textsuperscript{23}

3.2.2. Co-operative model

A survey of the Handloom Industry in Karnataka and Sholapur elucidated the organizational structure and the size of co-operative and non-co-operative handloom sectors. It pointed out the need for giving encouragement to the handloom industry in those areas. An empirical investigation, on the hand, handloom industry reveals a notable fact that the handloom industry is a sick one in the co-operative sector while it is a profitable one in the non-co-operative sector in Madurai, district.\textsuperscript{24}

Co-operative societies were seen as a vehicle for non-exploitative development in our planned economy and the movement has taken roots in our country in some area like co-operative sugar mills of Maharashtra, next to which comes the fields of marketing. There is persistent recurrence
in the percentage of dormancy in marketing co-operatives resulting that the claimed degree of success has not yet been achieved, due to various reasons such as lack of effective coordination among societies at different levels, non-adoption of proper trading practice and dearth of managerial efficiency.\textsuperscript{25}

Another study observed that the factors related to skills, technology, production and marketing are interrelated. The rural entrepreneurial co-operatives like coir fibres, bamboo and cane, handloom have been suffering from serve marketing set back to lack of adoption of advanced techniques related to marketing. On an average 64.58 percent of society members stated the problem of getting low wage rate while 73.09 percent expressed the problems of lack of training for production and quality improvement. Lack of individual credit facilities to the members by the society also emerged as one of the important problems faced by the members as expressed by 55.62 percent of sample respondents.\textsuperscript{26}

A study of Venkata Ratnam\textsuperscript{27} revealed that the efficient functioning of a co-operative institution very much depends on the commitment, sincerity and competence of the employees.
Co-operatives realized that industrial peace could not come spontaneously but had to be established with the cooperation of trade unions. The main reason for such a change in perception and behaviour is because the wage and service conditions of employees in majority of the co-operatives lagged behind their counterparts in private and public sector.

Seetharaman pointed out that co-operatives have to manage institutional values, business principles and environmental condition for their organizational effectiveness. All individual indices of organizational viability were better for profit societies than losing societies.

It is worth while to mention that women co-operatives have excelled in a few areas namely, handloom, tailoring, food processing, silk and textile printing and dairying. However, the hurdles confronted by women in undertaking development projects are to be removed to pave the way for their larger participation.
Another study has been made with the objective of knowing the social impact of handloom co-operatives on weavers in Western Orissa. Major findings of the study are member weavers do not gain anything so far as exposure to mass media is concerned. But they are a bit liberals towards status of women and their official and non-official contacts are better. But they are less interested to put their children in the traditional profession, because of some sort of psychological dissatisfaction among them.30

A study conducted by Pankaj Naithani and Naithani 31 on a general total quality management model for cooperatives so as to generate interest in cooperative leaders and policy makers to look upon the factors which need immediate attention for achieving excellence by cooperatives in economic terms. The process of bench marking which is used for implementing total quality Management Model in business organizations is also discussed in detail. The proposed model can be adopted after required modifications as per the objectives, nature and core functions of the cooperatives under consideration.
Keyur Taker\textsuperscript{32} in his article narrated that the basic principles of the cooperative movement may hold the key for making the shift from the traditional to the modern enterprise model for companies feels. The rising competitive pressure, threat of becoming take-over targets, mobility of talents and changing role of human resources in the knowledge based economy, has forced the corporate to experiment with different kinds of organizational structures.

Even in the textile sector, there has been a welcome, development recently with some of the State Governments taking steps to run a few sick textile mills on cooperative basis. In such a favourable environment, it devolves on us to ensure that the faith being reposed in the cooperatives by the authorities is well founded. Some of the spinning cooperatives have risen to the occasion and, on a voluntary basis, made an offer that their mills may be utilised for manufacture of hard yarn on custom service basis under the aegis of the National Handloom Development Corporation so that the latter can have yarn at reasonable prices. This is indeed a practical way of bringing down yarn prices without adversely
affecting the economics of the manufacturing unit and it is hoped that such an arrangement will come in to being with the cooperation of National Handloom Development Corporation and the mills.\textsuperscript{33}

Raju and Ram Mohan\textsuperscript{34} conducted a study and found that with a modest beginning of Rs.17,000/- as total internal funds in 1959-60, a society has accumulated Rs.61.35 lakhs during 1989-90. Over the years, the society has owned assets worth of Rs.26.29 lakhs in 1987-88. The factors responsible for the success of the society are: i) Dedicated, devoted, disciplines and selfless leadership, ii) Organising and providing timely supplies and services to its members, iii) Infusing co-operative spirit among the members of the society and iv) committed august body of management and well experienced personnel at the helm of affairs.

3.2.3 Federated Enterprise Model

Employment generation in India by Khadi and Village Industries (KVI) is significant and majority of the labour force is employed in this sector. The employment in Kadi village industries rose from 9.65 lakhs persons in 1956 to 37.89
lakhs persons in 1985. The employment compositions of Khadi village industry have changed significantly in favour of village industries. The share of Khadi sector in the total khadi village industries employment has declined from 68 percent in 1956 to 34 percent by 1985.\textsuperscript{36}

A Study on bee keeping found that bee keeping augments rural income through honey production and enriches agro-horticultural crops by pollination services. Income by way of increased crop-yield due to bee pollination is much higher than the value of honey. Bee keeping as a rural non-traditional industry had been taken up by the KVIC since 1954. The new Bee keeping industry has generated employment and subsidiary income to beekeepers and protected the beneficiary insects from destruction by honey hurlers. It is an ideal activity for development as subsidiary occupation in apiculture providing supplementary income to a large number of rural, hilly and tribal populations.\textsuperscript{36}
Chikara found that a considerable level of employment was generated and the highest increase was observed in processing of cereals and pulses followed by furniture, lime stone, khadi industry, carpentry, black smithy and cottage match box. This reflects that the Khadi and Village Industries Board (KVIB) has great potential for generating through Financing rural cottage industries.

A study on development of industrial co-operatives in the informal sector found that the per capita earnings and productivity in Khadi and Village Industry are poor labour turnover. The co-operatives floated at the grass root level for promotion of Khadi and Village Industry in the state are providing a dismal picture owing to defective planning and policies. The operational system of these co-operative entrepreneurs does not like to pursue their vocation in Khadi and Village Industry. As such, the employment potential of Khadi and Village Industry is stifled. Creation of separate KVBI network with own cadre system and simplification of financing procedure would be the policy suggestion for the development of KVIB in India.
A study revealed that most of Khadi spinning women belong to below poverty line. They had adopted this occupation to supplement their family income. The women belonging to high caste with poor economic status had also taken up this employment opportunity. The inclination for spinning has been mainly due to its social recognition and honorable occupation for women. However, the earning of these women is rather low to fulfil their family requirements. It is the family responsibilities and short duration of work, which limits the quantum of work she is at work sheds or at home. But more than that on account of the low wages which is associated with various types of deductions, dissatisfactions with wage determination formula, poor quality of cotton etc., these spinners have suffered the most. Their grievances reveal the picture of indifference and apathy on the parts of khadi officials. The ignorance of the spinners themselves compounds their miseries.\textsuperscript{39}

3-2.4.Contract job mode!

The report of the working group of handlooms classified the handloom weavers based on the established looms. It suggested that less capital and labour intensive type of
handloom industry is most suitable to India. A study found that the small-scale handloom industry created facilities to rural employment especially for the small farmers and generated income for them. Both for men and women of Small Farmers-cum-Handloom Weavers (SFHW) and Small Farmers Wage Weavers (SFWW) who provided labour for weaving, in addition to farming their productivity of labour was higher in comparison to those who were engaged only in family. Handloom weaving industry also created income earning job opportunity even for the rural women and before introducing handloom, they spent their time only for household works. As profession, farming and handlooms weaving are supplementary to each other for SFHW and SFWW.40

With the withdrawal of several subsidies so far enjoyed b) the handloom sector and specially by winding up the Janatha cloth scheme which not only provided cheap cloth but also employment to the vulnerable sections of weavers, the old and low skilled, the new economic reforms have contributed to the worsening of conditions in the handloom sector. The management of weaver's co-operative societies must be made Accountable for all their operation so as to keep under check Corruption at the societies level itself.41
The Indian handloom products have the potential to attract foreign buyers because of their natural fiber base, unique design, and appearance and aesthetic appeal. Strict adherence to high quality standards from fabrics to made ups and new design inputs to handloom sector would boost the exports. Government support to the weavers needs to be regarded as a social safety net rather than merely as subsidies for economically inefficient units in the textile industry. Fiscal protection through cost subsidies may be justified on welfare consideration though at the cost of taxpayers. However, the logic of economic liberalization will involve the elimination of subsidies for handlooms.42

Soundarapandian43 pointed out that the investment limit in plant and machinery for a small-scale sector might be fixed as Rs.3 crores for the textile industry concerned. The limit should be retained not only for the ready made garment units but for all segments of the textile industries, unless the obsolete machinery Used by various sectors of the textile industry was replaced, the industry would not be able to survive international
competition both within the country and in the world markets. IVIore participation in trade fairs such as contest India can be of invaluable help in preparation effort for raising the new demands in the international market.

The Government urged to study the implications of the order, which will not only affect the powerloom industry but also make a serious impact on the availability of clothing materials in the country. Lakhs of people who are employed in the powerloom industry will be thrown out of employment if production in the powerloom sector is restricted. The powerloom industry will be affected by the sudden price rise of Rs. 4 per liter of diesel man)? powerloom weavers are depending upon oil engines for their powerlooms. 44

Rajkishor Meher 45 observed that due to lack of proper organizational efforts, this traditional cottage industry of Orissa is losing its attractive occupational status not with standing the high demand potential of tie and dye handloom fabrics among a large section of affluent consumers in the country and abroad. Owing to unorganized nature of the Industry the weavers in general earn a very prepares living
from this age-old caste based occupation. Although the nature of work requires the involvement of all the adult members and children of household irrespective of age and sex and one loom in general provides full time employment to 2.01 persons an average the amount of average income earned by a weaver household is sometimes lower than an unskilled, daily wage earner.

The past studies revived in the above section relating to the aspects of employment, small scale industry, management systems independent enterprise, federated enterprise, cooperatives and contract jobs model, would guide and help the researcher for conducting the present study in the Dindigul district of Tamil Nadu.
References


