CHAPTER XII.

SUMMARY AND CONCLUSIONS.
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The importance of the small-scale and cottage industries in the economic development of the country is unquestioned. Even in developed countries, the small-scale industries occupy a place of prestige and importance. In an agricultural country like India, small scale industries alone can solve the problem of unemployment and under-employment. In the national independence movement khadi, as a symbol of cottage industries, occupied central position. Thus the need for the development of small-scale and cottage industries has been recognised since long before independence.

The small scale and cottage industries had a rich past and it was the fame earned by Indian textiles which attracted foreigners to this country. However, during the British rule the Indian industries and handicrafts suffered a set back and some of them got extinct. There were some factors which helped in the survival of some of these industries. The Caste system lack of transport and patronage from Indian Rulers may be cited as some of the factors responsible for survival of small scale industries in the country. The Swadeshi Movement started by the Indian National Congress gave a fresh lease of life to the Indian industries particularly the small ones.

It is now recognised that the large scale industrialisation can not be brought about by starting a few large industries here and there. It is the small industries which have to play a dominant role in industrialising the economy. In the face of a number of difficulties and competition from larger industries, the State has to play an important and crucial role in the development of small-scale industries. The Government of India and the State Governments have set-up machinery and agencies
for assisting and encouraging the development of small scale and cottage industries. The Central Agencies no doubt, provide assistance to small-scale industries in various forms but it is the State Government and the State Level Agencies which have the key role to perform in respect of the development of small-scale and cottage industries.

The main problems faced by the small-scale and cottage industries are with regard to non-availability of raw materials, lack of finance, lack of technical knowledge, difficulties in marketing the products and non-availability of infrastructural facilities. Many scarce raw materials are not available to the small scale industries and even for the available materials they have to pay a higher price. The financial resources of a small industrialist are limited and credit is not easily available to him. Because of lack of technical knowledge the production methods are inefficient and costly. A small industrialist does not have a competent organisation of his own for publicity and marketing of his products. Lack of suitable accommodation and non-availability of power, transportation, etc. weaken the competitive position of a small industrialist. These are the problems towards which attention has to be paid and unless satisfactory solutions are found, the small industry in the country can not be put on a sound footing.

Soon after independence both the Union Government and the State Governments took up steps for assistance to industries. At the Union level the Industrial Finance Corporation, the National Industrial Development Corporation, the Industrial Credit and Investment Corporation and Industrial Refinance Corporation may be mentioned as the principal agencies constituted for financial assistance to the industries. Industrial Development Bank also set-up by the Reserve Bank of India with the same objective. The Unit Trust of India and the Life Insurance Corporation were also instrumental in providing financial assistance to industries. However, these institutions mainly assisted the large and medium scale industries, and, therefore, the task of providing financial assistance to small scale industries was left to the State Governments and the State level agencies.
State Financial Corporations were set-up in various States. In the State of Madhya Pradesh such financial Corporation was set-up in the Madhya Bharat region in 1955. After the re-organisation of States in 1956, this Corporation was renamed as "Madhya Pradesh Financial Corporation," and covered the whole State. Another institution providing financial assistance to industries in the State is the Madhya Pradesh Arogyogik Vikas Nigam Ltd. This latter institution confines its activities mainly to financing of large and medium scale industries.

The Madhya Pradesh State Aid to Industries Act provided for departmental assistance to the industries. The State Bank of India has also been providing financial assistance to small-scale industries. The Nationalised Commercial Banks have also taken up schemes of assistance to small-scale industries and for this purpose a Lead Bank has been nominated for every district.

Besides, financial assistance non-financial assistance is also provided to small scale industries either departmentally or through the specialised agencies set-up for the purpose. At the Central level the National Small Industries Corporation has been set-up. Amongst the functions assigned to this Corporation are distribution of raw materials, supply of machines on hire purchases, marketing assistance and technical assistance. Another important All-India institution is the Small Scale Industries Development Organisation. This Organisation maintains the Small Industries Service Institutes and Extension Centres in various States. One such institute is located at Indore in Madhya Pradesh. The services offered by the Small Scale Industries Development Organisation include feasibility studies, technical assistance and training, managerial assistance and marketing assistance and economic information service.

Besides above two organisations there are various Co-ordinating Agencies at the Central level. A mention may be made of the Development Commissioner, Small Scale Industries and the Small Scale Industries Board. These agencies play an important role in co-ordinating the assistance programme of the various agencies. They also act as a liaison between the industries and the various Government departments.
At the State level non-financial assistance is provided by the Directorate of Industries and the Madhya Pradesh Laghu Udyog Nigam Ltd. The assistance provided by the Directorate includes supply of raw materials, electric power, providing plots and accommodation for industries, grant of essentiality certificates for import licences and technical training facilities. The Madhya Pradesh Laghu Udyog Nigam undertakes procurement and distribution of raw materials, supply of machines on hire purchase, marketing of products of small-scale industries and participation in establishment of new industries. Export assistance is also provided by the Laghu Udyog Nigam.

The State Government also assists the small-scale industries by granting tax reliefs in the initial stages of the establishment of industrial units. Such relief is granted in respect of Sales Tax and Octroi.

There has been significant development in small scale industries in the State of Madhya Pradesh. The number of registered units which in 1961-62 was 412 rose to 26,105 in 1972-73. However, looking to the vast unexploited resources of the State, this progress is not very encouraging and the State still ranks amongst the less developed areas of the country. Another noteworthy feature of the industrial development in the State is the regional disparities in the development of industries. Whatever progress has taken place has been confined only to 4 or 5 districts in the State. This regional imbalance in the development of the industries has attracted the attention of the Government of India and the backward districts in the State have been identified for special assistance and divided into categories 'A', 'B' and 'C' according to the extent of backwardness.

Financial assistance is provided to small-scale industries in the State by the Government under the State Aid to Industries Act. The Madhya Pradesh Financial Corporation and the State Bank of India are two other important agencies providing financial assistance to small-scale industries. The direct assistance provided by the Government till the end of the year 1970-71 totalled to Rs. 3.07 crores. In the past few years the assistance provided
by the Government under the State Aid to Industries Act has been gradually reduced and therefore the main sources of financial assistance now are the Madhya Pradesh Financial Corporation and the State Bank of India. Since its inception, the Madhya Pradesh Financial Corporation provided to the industries a total assistance of nearly Rs. 12.18 crores of which nearly one-third went to the small scale industries. A noteworthy feature is that in the recent years a larger proportion of the financial assistance from the corporation has gone to the small scale industries. In 1972-73 out of a total of Rs. 1.61 crores, Rs. 1.14 crores went to the small scale industries. The prominent amongst the industries assisted by the Corporation are Food and Beverage Industries, Metal Products, Chemicals, Non-Metallic Minerals and Manufacture of Textiles. Another noteworthy feature is that bulk of the financial assistance given by the Corporation went to the industrial units organised as partnership Firms, Private Limited companies and Proprietary small scale Concerns occupied respectively second and third position.

A reference has already been made to the existing regional disparities in the industrial development in the State. The assistance provided by the Madhya Pradesh Financial Corporation has instead of reducing these disparities has helped in widening the gap. Bulk of the financial assistance from the Corporation has gone to the industrially developed districts of the State. Seven developed districts accounted for 74% of the total loans advanced by the Corporation while the remaining 33 districts received only 26% of the financial assistance. One single division of the State accounted for nearly half of the total assistance provided by the Corporation.

The specialised financial agencies like the Madhya Pradesh Financial Corporation suffer from a drawback because their offices and branches are confined to only a few big cities and they do not have adequate machinery for contact with the potential industrialists in the remote areas of the State. In this respect the Commercial Banks are in a more advantageous position because they are having their branches spread out in smaller places. Thus the Commercial Banks can and should play a more important role in providing financial assistance to small scale industries. The assistance provided by the State Bank of India may be cited as an example. In three years from 1970 to 1972 the State Bank has
provided financial assistance totalling to nearly 3. 15 crores to the small-scale industrial units in the State. Thus the State Bank has become the most important single source of financial assistance to small-scale industries in the State. If other Commercial Banks also come forward a significant progress in industrial development is possible.

The State Government provides relief in Sales tax to new industrial units. The concession is linked with the quantum of Sales tax payable by a unit in the initial years. One drawback of the scheme is that the industrial units which find it difficult to push up their sales in the initial years get lesser advantage of tax concessions.

Infra-structural facilities are a must for growth of industries in any region. Madhya Pradesh is poorly provided with such facilities. A programme of construction of Industrial Estates has been taken up with a view to provide areas and sheds with the basic infra-structure facilities. Common facilities are also a feature of the Industrial Estates. Industrial Estates have been built in Urban, Semi-Urban and Rural Areas. The study of Industrial Estates in Madhya Pradesh reveals that the urban Estates alone have been able to attract industries and most of the Rural Industrial Sheds remain unoccupied. It is also noticed that the Auxillary Industrial Estates built around the large scale public sector units have been quite successful. The main cause for the Semi-Urban and Rural Estates not being able to attract industries is the lack of facilities particularly transport, marketing and banking, etc. A close co-ordination between the development of industries and that of public utilities is necessary.

In view of a large portion of the Semi-Urban and Rural Estates remaining unoccupied, it is sometimes argued that the construction of Industrial Estates should be confined only to large cities. Any such decision would work contrary to the objective of balanced industrial growth. The solution lies in a co-ordinated development of public utilities and industries. Composite schemes of interdependant or complementary industrial units would also help in development of industries through Industrial Estates.
Supply of machinery on hire purchase is undertaken by the National Small Industries Corporation and also by the Madhya Pradesh Laghu Udyog Nigam. A study shows that machineries worth Rs. 2.06 lakhs were supplied by the National Small Industries Corporation in Madhya Pradesh in 6 years from 1956 to 1962. Since then the pace of supply of machines has greatly increased and on an average machineries worth Rs. 13 lakhs to 19 lakhs were being supplied in the State every year. It is to be noted that although the value of the machineries supplied has increased the number of units receiving the benefit has been going down. The obvious conclusion is that individual applications of higher value are being sanctioned now.

The supply of machinery by the Madhya Pradesh Laghu Udyog Nigam is confined to 4 districts in the State. The M.P. Laghu Udyog Nigam is supplying machinery on hire purchase to educated unemployed persons, discharged soldiers and dependents of those killed during the war. The role of the Madhya Pradesh Laghu Udyog Nigam in this sphere is not very significant.

The Development Commissioner, Small Scale Industries Organisation and the State Directorate of Industries play an important role in the assessment of raw material requirements of small-scale industries and the supply of the same to them. As pointed out by the International Prospective Planning Team in 1962, the small-scale industries were in a disadvantageous position as regards the allocation of scarce raw materials. According to the Team, while the larger units got allocations to cover 85% of their one shift requirement, the smaller units got only 33% to 40% of one shift requirements. As pointed out by the Team in the allocation of raw materials the size of firm was a more important consideration than the priority of the product being manufactured. The Loknathan Committee suggested that instead of ad-hoc allocations, the allocation should be linked with actual performance and requirements of the units. It suggested that allocation of the scarce raw materials should be linked with the priority of the products and uniform assessment of capacities of industrial units should be made.
Since the above suggestions, the Directors of Industries in the States have been entrusted with the task of registering the units and keeping a watch on the actual production and the quantity of scarce raw materials allocated. The Development Commissioner (SSIO) acts as a co-ordinating agency and establishes a liaison with the Government departments concerned with the allocation of raw materials. In the State of Madhya Pradesh, the Madhya Pradesh Laghu Udyog Nigam and the Directorate of Industries have been assigned the task of supply of raw materials to small-scale industries. As regards some of the scarce raw materials like Iron and Steel and Cotton Yarn, a quota has been reserved for small-scale industries. The distribution is made through the depots maintained by the Nigam.

Allocation of raw materials is a distribution of a valuable privilege and has been subject to corrupt practices. Allocation of materials to numerous small industries and keeping a check on its utilisation is not a easy task. Hence it is not surprising that complaints about mal-practices lack of co-ordination and favouritism in distribution of raw materials are often heard. Many very small units do not make any attempt to obtain an allocation of raw materials and have to depend on supplies at higher prices in the open market. It would be, therefore, worthwhile to confine the allocation of raw materials to only a few important items and imported articles. A limited list of articles would enable a more fair distribution and a better check on utilisation.

Technical assistance to small industries is provided by Small Industries Service Institute and the Extension Centres established for the purpose. The service includes technological advice, preparation of drawings and lay-outs, demonstrations of the use of modern technical processes, improvement in the designs of machinery and research on specific problems of the industrialists. The Institute also imparts training in technical and managerial skill. No doubt, the Small Industries Service Institute has rendered some useful service to the small industries.
Still whatever has been done is not very significant looking to the requirements of a large number of industries in the State. There are training institutes run by the State Government also. A co-ordination of activities is necessary. Close co-operation and co-ordination between technical educational institutes, research and industrial needs is absolutely necessary, if the industries in the State are to develop modern technology for their use.

Marketing assistance is provided by the National Small Industries Corporation and also by the Madhya Pradesh Laghu Udyog Nigam. Small industrialists cannot afford to have their own sales organisation and have to depend on some suitable agency for the purpose. The National Small Industries Corporation has tried different methods of sales promotion for the products of the small-scale industries. The Madhya Pradesh Laghu Udyog Nigam also maintains its own emporia for the display and sale of the products of small-scale industries. The National Small Industries Corporation and also the Madhya Pradesh Laghu Udyog Nigam help the small industries in supplying goods to the Governments under their Stores Purchase Program. Market service for specific products and for particular industries are also carried out by the National Small Industries Corporation. Export Promotion Programmes have also been taken up by the Development Commissioner (SSIO) and the Madhya Pradesh Laghu Udyog Nigam. The main difficulty in export promotion is the lack of standardisation of products. If the export potential is properly located and the suitable units are duly encouraged, small-scale industries can contribute a substantial proportion to our exports. Some of the Public Sector Undertakings including the Railways are also helping the small-scale industries through purchase of stores and raw materials from them. Large-scale Public Sector Undertakings owe a duty to encourage suitable small-scale industries as ancillaries and also for utilisation of their bye-products. A close co-ordination between the Public Undertakings and the agencies for development of small-scale industries is required.
A special attention is required to be paid to the development of khadi and village industries. Khadi occupied a central place in our national independence movement. The village industries occupy a special position as a means of providing employment to unemployed and under-employed in the villages. Many of our handicrafts symbolised the cultural heritage of the past. A Khadi and Village Industries Commission at the All-India level and a Khadi and Village Industries Board at the State level have been set-up for the purpose of development of village industries. The resources of Madhya Pradesh Khadi and Village Industries Board are very limited and, therefore, it can not solve the problem of development of small industries in a large State like Madhya Pradesh. Recently the Madhya Pradesh Khadi and Village Industries Act has been amended to enable the Board to raise loans on the guarantee of the State Government. This would, no doubt, improve its resources. The administrative inefficiencies have to be removed and a co-ordination of activities of the Board with those of other agencies for development of small industries is necessary. Multiplication of agencies without proper co-ordination results in flittering away of the already scarce financial resources.

In conclusion, it may be said that an effective industrialisation of the State and the country is not possible unless small-scale and cottage industries are developed in large numbers on a sound footing. A few large industries here and there may look impressive but can not provide a lasting solution to the economic problems of the country. The State has, therefore, to play an important role in the development of small scale and cottage industries. Small-Scale industries have unfortunately been associated in public mind with the out-dated methods of production. Technological advancement has taken place in large scale industries and a similar constant advancement in technology is required for the small-scale industries too.
The State of Madhya Pradesh has a rich industrial potential and if proper assistance and encouragement are provided to the small-scale and cottage industries they can bring about a rapid economic development in the State.