CHAPTER – II
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REVIEW OF LITERATURE
Introduction:-
There have been quite a number of useful studies, which deals with the matters of small-scale industries Studies related with sickness, marketing problems, labours problems; however, the contribution made by some scholars is significant. The subject of small-scale industries has various aspects. The subject should be studied from various angles. This second chapter presents the review of past studies related with the subject.

A thorough review and survey of related literature forms an important part of research. It deals with the critical examination of various published and unpublished works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and places the researcher in a better position to interpret the significance of his own results.

In the early literature on economic growth and development, various authors as well as different committee reports related to the Small-scale and cottage industries at international, national and local levels have recognized industrialization as a source of employment and capital accumulation.

- For the first time, J.M. Keynes (1936)\(^1\) has focused his attention on the forces that determine employment, which maximized their output
and profit. Here he stressed the productivity of labour as the determining factor of the level of employment. There is a positive relationship among productivity of labour, output and employment. According to Keynes “employment can only increase pari-pasu with an increase in investment”.

- W.A. Lewis (1954)\(^2\) has strongly advocated the application of labour intensive techniques of production to have a steady and smooth economic growth. He opined that many important works can be done be used to make even capital goods without using any scarce factors. In this sense, Small-scale and cottage industry should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital-intensive techniques only when they are necessary.

- Leibenstenin and Gelenson (1955)\(^3\) took an opposite stand and tried to show that labour intensive techniques might generate immediate output but little surplus since the wage bill would be large. Economic development preceded investment but the use of labour intensive techniques leaves little surplus for investment. Hence, according to them, use of capital-intensive techniques in the process of production will increase the re-investible surplus by minimizing the wage bill.

- A.K. Sen (1957)\(^4\) had propounded the surplus maximization criteria advocating the capital-intensive techniques. Choice of technology
depends on the nature of the economy whether developed or developing. According to him, a high wage rate will dictate a capital intensive technique, but a low wage rate, such as may be operative in the less developed countries will mean that a relatively labour intensive technique will maximize the surplus for further investment.

- Rains and Fei (1961)\(^5\) focused on the nature of the output-employment conflict in the Indian context. They feel that only after ‘a critical minimum effort’ greater emphasis should be given to output rather than employment. By this criterion, they meant that the rate of labour absorption (L) in industry should be greater than the rate of population growth (G), i.e. \(N>G\).

- Dhar and Lydall (1961)\(^6\) made their study on the data collected from Census of Indian Manufactures, 1956 and the study prepared by the perspective planning Division of the Planning Commission in respect of capital, labour and output relations in various industries. They concluded that the issue of choice between large and small industries for the purpose of an employment-oriented industrialization strategy is largely irrelevant, and it should aim at making the best use of scarce resources, instead of aiming at creating employment for the sake of employment.
Professor Gunnar Myrdal (1968)\(^7\) the recommends the adoption of a strategy based on predominantly labour-intensive techniques in less developed countries on the ground that “The large volume of unutilized labour possessed by these countries has a productive potential, capable of creating capital and increasing production”.

According to the Village and Small-scale Industries Committee Report (1955)\(^8\), popularly known as Karve Committee Report, since a substantial number of employed and underemployed belongs to the village and small industries group, setting up of small and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they posses equipments. The committee realizes the necessity of introducing better techniques in the village industry, so that they can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

Professor A.M. Khusro (1999)\(^9\) holds that “if you to create only employment without regard to efficiency, output and surplus, you will soon end up with neither employment nor output or surplus”. Accordingly, Khusro suggests formulation of a strategy that depends on “self-financing surplus generating schemes”.

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A World Bank Study (1978)\textsuperscript{10} has shown that all-important requirements of more jobs and higher incomes are met by rural non-farm activities. The study suggests that these activities, which have capital-labour ratio of less than $50 at 1969 prices, deserve a high place in any employment oriented industrial strategy.

A study of UNIDO (1969)\textsuperscript{11} based on evidence from a number of developing countries, indicates that “small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do than larger, more capital intensive enterprises”.

The promotion of Small-scale industries has been widely recognized as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage in investable capital funds, and lack of entrepreneurial and managerial abilities (Bharti,1978)\textsuperscript{12}.

The National Committee on Science and Technology report on Khadi and Villages Industries (1975)\textsuperscript{13} gave a gloomy picture of these industries as a source of employment in industrialization. The report shows that the “compounded rates of growth of employment in these industries, as compared to growth of output, are very meager.”

Ruddar Datt and Sundaram (1979)\textsuperscript{14} strongly advocated the Small-scale and household enterprises as an important component of an
employment-oriented strategy of industrialization. They found that employment–output ratio is the lowest in the small-scale sector while that employment generation capacity is eight times highest than that of large sectors.

- K.M. Rastogi (1980)\textsuperscript{15} has made a case study of Madhya Pradesh, which he calls “a unique case of growing unemployment and poverty amidst plenty”. He is in favour of only Small-scale and village industries, which made optimum use of indigenous techniques and local resources. According to him, “there are hundreds of items which can be produced in cottage and Small-scale industries more economically than in the large industrial sector.”

- B.K. Sharma (1985)\textsuperscript{16} suggested that the programme of rural industries would require constant support. The training and marketing infrastructures would therefore, have to be developed suitably for the sustenance and healthy growth of the rural industries programme.

- Prasad (1983)\textsuperscript{17} in his study found that the small-scale industrial sector is an integral part of not only the industrial sector, but also of the country’s economic structure as a whole. If small-scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development.
Singh and Chhabra, C.B. Gupta 18 Small-scale Industrial sector has vast potential in terms of creating employment and output, promotion of export, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship and dispersal of industries and entrepreneurship skills in both rural as well as backward areas.

Desai (1983)19 also stated that rapid industrialization in India depends on the growth of small-scale industries. Most of the Small-scale industries are operating under certain handicaps like shortage of raw materials, low levels of technical knowledge and counseling, poor infrastructure, inadequate capital and credit facilities, improper distribution system, lack of facilities for market analysis, research and development. They are also weak in marketing their products beyond their localities especially in international markets.

Nayak Committee (1992)20 set up by the Reserve Bank of India to examine the adequacy of institutional credit to the Small-scale Industrial Sector and the related aspects. The Committee found that banks has insufficiently serviced the working capital needs of the sector particularly that of cottage and tiny enterprises. Moreover, there is a need for the setting up of specialized bank branches for small-scale industries, the absence of which has let to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporation’s
(SFCs) has given rise to a host of problems of co-ordination among them.

- Abid Hussain Committee (1997)\(^{21}\) Report on small enterprises has examined and suggested institutional arrangements, policies and programmes for meeting long term and short-term requirements of the small-scale industries. The committee found that the reservation policy of specific products for exclusive manufacture by small-scale industries had not served much purpose as most industrialization had occurred in items not reserved for small-scale industries. Moreover, it had resulted in low efficiency and productivity and restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to small-scale industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.

- Mali (1998)\(^{22}\) in his study has observed that small and medium enterprises (SMEs) and enterprises gave to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management,
marketing product diversification, infrastructural development, technological upgradation. Moreover, new small and medium enterprises may have to form strategic alliance with entrepreneurs of neighboring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

- Rajendran (1999)\textsuperscript{23} made a study to examine the various kinds of assistance given to small-scale industries with the prime objective of identifying institutional assistance for the development of small-scale industries and the problems faced by these industries in Tiruchirapalli district of Kerala. He concluded that the greatest problem faced by the small entrepreneurs was non-availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There were complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.

- Small-scale industries can play an important role in the development of hills area as revealed by Hamid (1989)\textsuperscript{24} in the study of Jammu and Kashmir. In his study he found that the state of Jammu and Kashmir. In his study, he found that the state of Jammu and Kashmir is not ideally suited for developing large-scale industries and as such the
only remedy lies in the establishment of Small-scale and cottage industries, which are most suited to the socio-economic condition of the state. He identified the causes of industrial backwardness in Jammu and Kashmir includes- peculiar geographical location, limited explorable resources, shortage of imported raw materials, inadequate and irregular power supply, insufficient central investment, poor technical knowhow, absence of entrepreneurial spirit among the local people, non participation of potential investors and entrepreneurs from outside the state and passive role of financial institutions. It is interesting to note that all characteristics also prevail in Mizoram as responsible for slow industrial growth in Jammu and Kashmir.

- Pande (1983)\textsuperscript{25} explained few causes that attributed to the slow growth of small-scale industries in his areas. The Small-scale industrial units in the village area and suburban localities suffer from a considerable degree of technological obsolescence, inadequacy of raw materials, dearth of marketing channels, unawareness of market situation in urban centers, poor credit facilities and the shortage of skilled labour and power supplies.

- Ramesha (1999)\textsuperscript{26} examined the trends in credit supplied to small-scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporation’s (SFCs) and their interstate disparities. The study found that commercial banks continue to play a dominant role in financing small-scale industrial sector. However, the growth rate of
bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the banking sector has failed to meet the increasing credit requirements of the SSI sector. The inter-state disparities in the distribution of credit have also been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs term credit has also widened during the reference period. Further, there seems to be sort of complementary relationship between Banks and SFCs in financing small-scale sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit and vice-versa.

- Socio Economic Development of the NER of India (1988)  
  There were numerous studies on the industrial development of the North-Eastern Region of India. The Seminar on the Impact of Five-Year Plans and the Socio Economic Development of the NER of India (1988) organized by Gauhati University discussed many aspects of industrial development in this region. The Seminar concluded that there are ample potentials in the industrial sector of the region, which can absorb more labour force by utilizing local raw materials. This region has enough employment opportunity with increasing industrial production and productivity especially of the Small-scale and cottage industries.
Khanka (1998)\(^{28}\) in his study observed that the development of Small-scale industries in Assam is at low level because of inadequate infrastructural facilities, problems of finance, marketing and insurgency. Therefore, for industrial development, Government should create infrastructural facilities like transport, communication, power, energy etc. Moreover, state level techno-economic survey should be carried out to explore possibilities for developing specific industries successfully. Local people should be motivated to promote entrepreneurial spirit in the region. Government should take strong initiatives to curb insurgency in the region to make congenial climate for industrialization.

Agarwal (1988)\(^{29}\) has emphasized that the importance of Small-scale and cottage industries is more in the absence of large and medium industries in the North-eastern region. He mentioned some of the specific exogenous factors leading to bad industrial health in the region. These are absence of effective industrial policy and ad-hocism in Government decision at the state level as well as industry wise decisions, prolongation of gestation period due to infrastructure deficiencies and weakness of supporting services, uncertainties and shortage of essential raw material and construction material supplies, defective sales tax regulations, high power tariffs and transportation
costs etc, defective capital base and operational plans, shortage of working capital, non-availability of trained and experienced personnel and old techniques of production and lack of quality control.

- Dasgupta (1983)\textsuperscript{30} has recommended the establishment of Small-scale and cottage industries in the North-eastern region of the country. He suggested that if labour intensive Small-scale industries are established, they will provide some alternative economic opportunities to the people in the hilly areas of the region as the improved cultivation with multiple cropping is difficult proposition in this area.

- Aruna Devi (1995)\textsuperscript{31} Industrial development is a pre condition for the economic development of an underdeveloped region. She is of the opinion that industrial development in general and development of Small-scale and cottage industries in particular is bound to play an active role in connection with the economic development of an underdeveloped state, like Manipur.

- Indian Institute of Entrepreneurship, Guwahati (2001)\textsuperscript{32} conducted a study on the performance of Small-scale industries in Greater Guwahati area. The study revealed that large number of SSI Units (30 percent) in the study area did not avail any financial assistance from banks or any other financial institutions. State Bank of India (SBI) is the major money lender to the Small-scale industrial sector followed by the United Bank of India (UBI), Assam Financial Corporation.
(AFC) etc. All other financial institutions played more or less the same role i.e. providing loan to only 1 percent to 3 percent of units by each bank.

- Agarwal (1999)\textsuperscript{33} mentioned that the entrepreneurs of Small-scale industries are generally lacking in knowledge of various aspects as how to set up an industry. Owing to the predominance of agricultural background of the region, the infrastructure for industrial development has not developed properly. Apart from lack of industrial tradition and managerial class, the state is handicapped by difficult terrain and disturbed socio-political conditions are also adversely affecting industrialization in the state.

- Lianzela’s (1994)\textsuperscript{34} work is based on the economic development of Mizoram as a whole. He focused on various sectors of the economy and their development purely from the economic point of view. Although he put valuable suggestions and policy recommendations for the future development of the state, he did not give any specific strategy for the development of Small-scale and cottage industries in the state.

- Rualkhuma (1997)\textsuperscript{35} focused on the industrial development of Mizoram, which is indeed a geographical interpretation of the existing
bottlenecks and problems rather than economic analysis. He laid stress on the development of Small-scale and village industries to boost the overall economic development of the region. His work did not give any concrete solution on the existing problems and drawbacks of industrial development from economic perspective.

- Thangmawizuala (1985)\textsuperscript{36} is of the opinion that the political disturbances especially the insurgency in Mizoram caused a great setback in the progress industrial development in the state. According to him, the existing Small-scale and cottage industrial units could not make the desired progress due to the disturbances. The main hindrances for industrial development in the state are lack of good communication facilities, financial difficulties and the absence of market outlets.

The above studies on industrialization have been found severely inadequate to explain the real phenomenon of industrialization, due to the reason that no major attention have been given by these studies to different aspects of industrialization.
References:


28 H.N. Pathak, “Investigated and analyzed the problems of SSI units” 1975.