1.1 Introduction

Bishnupur subdivision of Bankura District is mostly agricultural in nature. About 90% of the people of this sub-division are dependent on agriculture either directly or indirectly. But agriculture is dependent on the vagaries of nature. Irrigation facilities are not well developed. Productivity is also very low in the agricultural sector. The farmers have to depend upon alternative sources of income during their spare time when they do not have work in the farm sector. Cottage and small scale industries provide an ideal alternative source of income and employment for those who are dependent on agriculture. Cottage and small scale industries can use local resources and surplus manpower available. They also require relatively lower amount of capital funds.

The area has also a history of certain traditional cottage and small scale industries operating successfully with reputation. Notable among them are the units manufacturing Baluchari sarees and silk sarees. These sarees are now being sold all over India and even outside India with reputation. Further there are units producing conch shell products, bell metal products and handicrafts producing terracota objects. All these cottage and small scale industries have a glorious past and they are associated with this area for a very long period of time. Apart from these traditional cottage and small scale industries there are also modern small scale industries such as cold storages, rice mills, flour mills, engineering firms producing gates grills, ice cream manufacturing units etc. All these small scale industries play an important role in this subdivision. They can be a powerful alternative engine of growth generating income and employment. However, it is found that these cottage and small scale units are facing some problems and they cannot contribute to their fullest extent in the process of economic development of the
subdivision. Hence it is proposed that a study be undertaken to consider the position of cottage and small scale industries in the Bishnupur subdivision of Bankura district with special reference to the problems faced by them and the prospects they hold for the future.

In particular, the study has the following objectives:

(i) To assess the importance of cottage and small scale industries in the economy of Bishnupur subdivision in terms of generation of income and employment.

(ii) To identify the problems faced by such units and to suggest solutions of those problems.

(iii) To highlight the conditions of workers engaged in these units.

(iv) To consider the future prospects of these units and to estimate their future potential in terms of generation of income and provision of employment opportunities.

(v) To consider the existing facilities provided by the government to these units and to suggest policy measures to be adopted by the government agencies for helping these units.

(vi) To suggest measures for improving the efficiency of such cottage and small scale industrial units.

1.2 Meaning and Definition of Cottage and Small Scale Industries

The basis of distinction between the large-scale, medium-scale and small-scale industries is generally the size, capital resources and labour forces of the individual unit. The differences between the small-scale and cottage industries are basically two: (i) while small-scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas; and (ii) while small-scale industries produce goods with partially or wholly mechanised equipment employing outside labour, the cottage
industries involve operations mostly by hand which are carried on primarily with the help of the members of the family. The basis for this distinction between the small-scale and cottage industries was laid down by the Fiscal commission in 1950 when it stated, "A cottage industry is thus one which is carried on wholly or primarily with the help of members of the family either as a whole or a part-time occupation. A small-scale industry, on the other hand, is one which is operated mainly with hired labour, usually 10 to 50 hands."

The importance of small-scale industries was immensely felt in the Industrial Policy Resolution of the Government of India dated 4th April, 1948. Realising the problems of the various groups of industries in the small sector, the Cottage Industries Board recommended the setting up of a separate organisation at the centre for their promotion. Accordingly, five boards were set up in 1952-53 for Handlooms, Handicrafts, coir, silk and khadi and village industries.

At the first meeting of the Small Scale Industries Board held on 5th and 6th January 1955, the Board adopted the first working definition of a small-scale industrial unit as:

"A unit employing less than 50 persons, if using power, and less than 100 persons without the use of power, and with capital assets not exceeding Rs. 5 lakh."

The definition of small scale industries recommended by the Small-Scale Industries Board and as per Ministry of Commerce and Industries letter No. 12-SSI(A)(136)/57, dt. 4th January, 1960 was:

"Small-scale industries will include all industrial units with a capital investment of not more than Rs 5 lakh, irrespective of the number of persons employed."

The definition of small scale industries recommended by the Small-Scale Industries Board at its 24th meeting held on 8th July 1966 and as per the
Ministry of Industry Letter No. SSI (A) 13 (5) / 66 dated 31st October 1966, was as under:

"Small-scale industries will include all industrial units with a capital investment of not more than Rs. 7.5 lakh irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only."

At the 32nd meeting of the Small-Scale Industries Board held in November 1974, the revised definition of small-scale industries recommended by the Board was as follows:

"Undertakings having investments in fixed assets in plant and machinery not exceeding Rs.10 lakh."

Subsequently, under the Industrial Policy Statement of 1980, the limit of investment in small-scale units was raised from Rs.10 lakh to Rs.20 lakh.

As per Ministry of Industries, letter No. 10/37/85-IP dated 19.3.85, Government has again revised the investment limit of small-scale to Rs.35 lakh.

As per the Industrial Policy Statement of May 1990, the investment ceiling in plant and machinery for small-scale industries (fixed in 1985) has been raised from Rs.35 lakh to Rs.60 lakh.

During 1997 on the recommendation of Abid Hussain Committee and as per the Ministry of Industry letter No. SO/857(E) dated 10th Dec, 1997; the Government has raised the investment limit on plant and machinery for small units from Rs. 60 lakh to Rs.3 crore.

The Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, Govt. of India, in their Notification no. SO/1288-E dated 24th December, 1999 has amended the order of the Govt. of India No. SO/857-E dated 10th December, 1997 to the extent that the limit of plant and machinery valuation for small scale industries would be Rs. 1.00 crore in place of Rs.3.00 crore.
A Glimpse of Definitions of Cottage and Small Scale Industries.

<table>
<thead>
<tr>
<th>Date</th>
<th>Defining Authority</th>
<th>Main Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.4.1948</td>
<td>Industrial Policy Resolution</td>
<td>Capital Investment in Plant and Machinery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of persons Employed</td>
</tr>
<tr>
<td>6.1.1955</td>
<td>Small-scale Industries Board</td>
<td>Rs. 5 lakh</td>
</tr>
<tr>
<td>4.1.1960</td>
<td>Do</td>
<td>Rs. 5 lakh</td>
</tr>
<tr>
<td>8.7.1966</td>
<td>Ministry of Industries, Government of India</td>
<td>Rs. 7.5 lakh</td>
</tr>
<tr>
<td>Nov-1974</td>
<td>Small-scale Industries Board</td>
<td>Rs. 10 lakh</td>
</tr>
<tr>
<td>July-1980</td>
<td>Industrial Policy Resolution, Government of India</td>
<td>Rs. 20 lakh</td>
</tr>
<tr>
<td>19.3.1985</td>
<td>Ministry of Industries, Government of India</td>
<td>Rs. 35 lakh</td>
</tr>
<tr>
<td>May-1990</td>
<td>Industrial Policy Resolution, Government of India</td>
<td>Rs. 60 lakh</td>
</tr>
<tr>
<td>10.12.1997</td>
<td>Ministry of Industries, Government of India</td>
<td>Rs. 3.00 crore</td>
</tr>
<tr>
<td>24.12.1999</td>
<td>Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, Govt. of India</td>
<td>Rs. 1.00 crore</td>
</tr>
</tbody>
</table>
CLASSIFICATION:

Broadly speaking, we can divide the cottage and small-scale industries into two categories: a) traditional small-scale industries are highly labour-intensive and based on traditional skills and techniques, and b) modern small-scale industries making use of modern technology as well as artisans' workshops engaged in activities such as repairing of various implements, machinery, vehicles etc. The traditional industries can be further sub-divided into two categories—(i) handicrafts producing highly selective goods of high-skill workmanship (wood and ivory carving, carpet making, metal works etc.), and (ii) village and household industries producing common consumer goods and other utilitarian products predominantly by hand or using simple tools (pottery, leather products, hand-woven textiles, silk materials etc.)

For instance, during 1979-80 traditional small industries accounted for only 13 per cent of the total output but their share in total employment was 56 per cent. In that year total output of traditional small industries came to be Rs. 4,420 crore and this output was produced with the employment of 133 lakh workers, the average output of labour in traditional small industries was roughly Rs. 3,323.

As against this, the share of modern small-scale industries in the total output of this sector was 74 per cent in 1979-80, but their share in employment was only 33 per cent. Obviously, these industrial units would be having higher labour productivity. For example, in 1979-80, a total output in modern small-scale industry was Rs. 24,885 crore produced by 78 lakh workers—the average product of labour being Rs. 31,900.

1.3 The Role and Performance of Cottage and Small-Scale Industries in Indian Economy

At present the cottage and small-scale industrial sector plays an important role in the Indian economy in terms of employment generation and the economic development of India. This sector has recorded a high rate of
growth since Independence in spite of stiff competition from the large sector, medium sector and not-so-encouraging support from the Government. The number of registered SSI units are 32.25 lakh in 1999-2000 and as far as output of this sector is concerned, it is valued at Rs.5,78,470 crore in 1999-2000 (at current prices) and exports of this sector are estimated at Rs.53,975 crore in 1999-2000. These units produce over 7,500 commodities. During the last decade alone, this sector has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronic control systems, microwave components, electro-medical equipment, T.V sets etc.

Hence, from the above discussion, it is clear that in the context of rapid industrialisation of any country, particularly in the country like India, it is used as a powerful tool. None can deny its many-folded solving ability. Besides the basic arguments like output, employment and export, there are so many arguments that will go in favour of such units. Let us examine all those arguments in detail.

1. Expansion of small-scale sector and its share in industrial output

Performance of the small scale sector over the period 1991-92 to 1999-2000 would be clear from the information contained in the following Table
Table 1.1: Overall Performance Of Small-Scale Industries, 
In India 1991-92 To 1999-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in lakh) as on 31st December</th>
<th>Output (Rs. Crore)</th>
<th>Employment (Lakh nos.)</th>
<th>Export (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>At current prices</td>
<td>At constant prices (1990-91)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Lakh nos.)</td>
<td>(Rs. Crore)</td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82</td>
<td>1,78,699</td>
<td>1,60,156</td>
<td>129.80</td>
</tr>
<tr>
<td></td>
<td>(6.9)</td>
<td>(15.0)</td>
<td>(3.1)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.46</td>
<td>2,09,300</td>
<td>1,69,125</td>
<td>134.06</td>
</tr>
<tr>
<td></td>
<td>(7.9)</td>
<td>(17.1)</td>
<td>(5.6)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.81</td>
<td>2,41,648</td>
<td>1,81,133</td>
<td>139.38</td>
</tr>
<tr>
<td></td>
<td>(6.0)</td>
<td>(15.5)</td>
<td>(7.1)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.71</td>
<td>2,93,990</td>
<td>1,99,427</td>
<td>146.56</td>
</tr>
<tr>
<td></td>
<td>(8.0)</td>
<td>(21.7)</td>
<td>(10.1)</td>
<td>(5.2)</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.24</td>
<td>3,56,213</td>
<td>2,22,162</td>
<td>152.61</td>
</tr>
<tr>
<td></td>
<td>(6.0)</td>
<td>(21.2)</td>
<td>(11.4)</td>
<td>(4.1)</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.57</td>
<td>4,12,636</td>
<td>2,47,311</td>
<td>160.00</td>
</tr>
<tr>
<td></td>
<td>(4.9)</td>
<td>(15.8)</td>
<td>(11.3)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>1997-98</td>
<td>30.14</td>
<td>4,65,171</td>
<td>2,68,159</td>
<td>167.20</td>
</tr>
<tr>
<td></td>
<td>(5.5)</td>
<td>(12.7)</td>
<td>(8.4)</td>
<td>(4.5)</td>
</tr>
<tr>
<td>1998-99</td>
<td>31.21</td>
<td>5,27,515</td>
<td>2,88,807</td>
<td>171.58</td>
</tr>
<tr>
<td></td>
<td>(3.6)</td>
<td>(13.4)</td>
<td>(7.7)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>32.25</td>
<td>5,78,470</td>
<td>3,12,576</td>
<td>178.50</td>
</tr>
<tr>
<td></td>
<td>(3.3)</td>
<td>(9.7)</td>
<td>(8.2)</td>
<td>(4.0)</td>
</tr>
</tbody>
</table>

Note: Figures in brackets give the increase over previous year; E: estimated

Source: Government of India, Economic survey, 2000-01, Table 7.14 P. 144

The number of cottage and small scale units were 20.82 lakh in 1991-92 and this rose to 32.25 lakh in 1999-2000. As far as output of this sector is concerned, it was valued at Rs.1,78,699 crore in 1991-92 and this rose to Rs.5,78,470 crore in 1999-2000 (at current prices). The average annual growth
rate of production in this sector for the period 1991-92 to 1999-2000 works out to be 15.7 percent.

2. **Employment generation**

The most important argument in forming SSI units as a strategy of development planning is that they possess a tremendous potential to create large scale employment opportunities due to their labour-absorbing character. A characteristic common to almost all the less developed countries is the existence of widespread unemployment and under-employment caused by the interaction of high rate of population growth with a low rate of capital formation. Back-dated technology, low level of infrastructural set-up, low productivity of agricultural sector, inefficient manpower etc. are the other causes which lead to a high rate of unemployment in the less developed countries. All these aspects have prompted the policy makers to turn in favour of small units for absorbing the surplus labour force, primarily due to their labour absorbing character i.e. they use more of labour per unit of output and investment. On the other hand, there has also been an implicit assumption in this argument that small industries use less capital per unit of output i.e. their capital output ratio is less in comparison to large scale industries. It has been estimated that investment of Rs.1,00,000/- in fixed asset in large scale industry creates an average employment of one person, while the same investment in small scale industry can create an average of 4 persons' employment. It implies that the employment generation efficiency of small scale units is 4 times than its large scale counterparts. This is very much important in the context of economic development of the less developed countries where millions of people are either unemployed or under employed. Besides that, the encouragement of SSI would serve to counteract the massive seasonal unemployment which is a natural outcome of the agricultural sector of the underdeveloped countries. These industries also offer limitless opportunities of self employment. From the table, 1.1 it is clear that, the small scale industries employed 129.80 lakh people in 1991-92 and
this number has consistently risen to 178.50 lakh people in 1999-2000. So the small scale sector is the way of creation of employment generation.

3. Contribution to exports

Export orientation capacity is one of the important arguments in favouring the important role played by the SSI units. These industries offer vast opportunities to promote exports as these are capable of producing goods with high labour contents with greater comparative cost advantage. These goods are in great demand in advanced countries as they do not have comparative cost advantage in producing them. The items of exports of the small-scale industries consist of such non-traditional items like readymade garments, sports-goods; finished leather, leather products, woollen garments and knitwears, processed foods, chemicals and allied products and a large number of engineering goods. The total exports of the small-sector industry products increased from Rs.155 crore during 1971-72 to Rs.48,979 crore in 1998-99. This meant an increase in the share of the small-scale industries in the total exports of the country from 9.6 percent in 1971-72 to 34.9 percent in 1998-99. Exports of this sector are estimated at Rs.53,975 crore in 1999-2000 which was 33 percent of total exports in that year.

4. Equality Argument

There are enough empirical evidence that large scale industries, generally, lead to an uneven distribution of income and wealth, which gives rise to concentration of economic power in few hands. On the other hand, the income generated by large number of small scale industrial units is dispersed more widely in the community which provides income benefit to a large population which can check the concentration of economic power in a few hands and make possible an equal distribution of income and wealth. It is asserted that an SSI unit “will bead neither to sweating nor to inequitable distribution but will result in a large and more widely distributed sharing of the production function and therefore to a more equitable distribution of the product of the industry”. So, the equality argument suggests that small scale
industries are eminently suitable for the fulfilment of the objective of economic and social justice. At least three arguments can be forwarded in support of the view:

a) A large proportion of incomes generated in these enterprises gets distributed among workers.
b) Income gets distributed among a very large number of people.
c) Incomes get spread throughout the country.

All these three benefits flow from the fact that these industries are labour intensive and these can be set up anywhere in the country.

5. Decentralisation Argument:

Decentralising the economic activities throughout the country is of vital importance from the stand-point of its capacity to reduce the imbalances among regions and between urban and rural areas. Spreading of economic activities in the underdeveloped countries, particularly in countries like India, China etc. social and economic tensions among people of different states can be minimised which is very much important from the angle of economic and political stability of the country. For the purpose of dispersal of economic activities, small scale industries are eminently suitable. Such industries can be established in any place in the country because of their multifarious advantages. Besides that, the argument of decentralisation can be proved right because of its capacity to prevent the problem of migration from underdeveloped zones to developed zones of the country. It helps to solve the problems like over crowding of cities, pollution etc. Moreover, centralization of industrial structure is dangerous from the standpoint of security of the country. In the event of war, industrial towns are easy targets for enemy attack. Such a calamity can finish off in no time the life line of economic body of a country. So as decentralisation of industrial activities is a must from the angle of social, economic and political security of the country, none can deny the supremacy of small scale industries.
6. **Latent resources Argument:**

Another strong argument favouring the small scale industries is that they bring out and make it possible to use the latent resources which may otherwise would lie idle. By virtue of these industries, the country can utilise the hidden resources like hoarded wealth, native entrepreneurship, artisan's skill, worker with little formal training, small savings of proprietors. Though a sizeable share of these resources is not fit for productive use in the modern small-scale industries, yet these dormant resources can be made alive through SSIs to foster the industrial development of the country. The argument justifies the cause of SSI’s units on three distinct grounds which are summed up as follows:

a) It presumes that there is a large number of efficient entrepreneurs who are capable of running SSI units efficiently if proper and adequate help is extended to them.

b) There are a large number of potential enterprises whose full capacities have not been used so far.

c) SSI units will be helpful in taping up idle savings in productive use.

7. **Less industrial disputes**

Supporters of small-scale industries frequently argue that large-scale industries are ridden with more industrial disputes than the small-scale industries. Because of the 'tensions' in the relations between workers of large-scale industries and the mill owners, such industries frequently face strikes and lockouts. Against this, the small-scale industries are free from such hazards and there is consequently less loss of output. In the case of cottage industries, the question of disputes does not arise at all since the main form of labour in these industries is family labour.

8. **Support to large scale industry**

Another useful role of small scale industries, is the great support that the development of large scale industries can obtain from small industries. This is possible in the following ways:
a) Small industries can manufacture small parts which may later be assembled by the large scale industries.

b) The large scale industries may produce semi-finished goods which may later be made into several types of finished goods in the small scale establishments such as agricultural implements and cutlery from iron and steel, household utensils from sheet metals etc.

9. Prevention of unhealthy urbanisation

Indian labour is proverbially immobile. By carrying the job to the worker, SSI's can overcome the difficulties of territorial immobility. Moreover, unlike large industries, small scale industries do not create problems of slum housing, health and sanitation etc. and the attendant diseases misery and squalor which have reached serious proportions in countries like India. By providing, remunerative employment in the rural areas, these industries will relieve congestion in over-crowded urban centres and thus prevent environmental pollution.

10. Quick-yielding:

Small scale industries are of "quick yielding type," those in which the time lag between the execution of the investment project and the start of flow of consumable goods is relatively short. In a developing economy, with a high inflationary potential and need for a rapid rise in the living standards the importance of such quick investment type industries can hardly be exaggerated. The anti-inflationary requirement and the requirement of development are often in conflict but a compromise can be found in the small-scale industries which have a high function co-efficient and also a short fruition lag.

11. Import-light

Small scale industries are import-light i.e. they use a relatively low proportion of imported equipment and materials as compared to large scale
industries. A low import intensity in the capital structure reduces the need for foreign capital or foreign exchange earnings and thus obviates balance of payments difficulties.

12. **Promotion of Rural Development**

Small industries can help sustain green revolution in the countryside mainly through the development of agro-based industries and services, such as the production of farm implements and equipment for food processing industries and agricultural machinery, repair and service workshop. Besides, the expansion of rural income as a result of green revolution is expected to boost the consumer demand for items like radio, T.V., cycles, sewing machines, all of which can come from the small-scale industries. The development of cottage and small-scale industries will help to reduce the pressure on land. The surplus labour will be diverted from agriculture to non-agriculture occupations. It helps to increase productivity on land. According to the survey of Manufacturing Enterprises carried out by Central Statistical Organisation in 1994-95, 72.4 per cent of the registered SSI units were located in rural areas and only 27.6 per cent in the urban areas.

13. **Skill formation**

The peculiar attraction of small scale units lies in their being skill-light. Like capital these skills are also in very short supply in our country. Small-scale industries do not require any sophisticated skill. But it provides industrial experience and survey as a training ground for a large number of small scale managers, at least some of whom may develop the capacity for managing large scale industries. In other words, these industries can make contribution to skill formation and development of entrepreneurial abilities.

14. **Cost of production**

The cost of production of goods produced by the small scale industries is comparatively lower than their large scale counterparts. This is due to the fact that such industries incur a low distribution cost, so that the price paid for a similar product turned out by a large scale industry. Moreover, in recent

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times, due to a lot of technological developments, costs are tending to fall in these industries. Thirdly, these industries are definitely better placed, if we consider the social cost of production instead of only market cost of production. Large scale industries have to incur such costs for labourers as houses, community centres and other welfare activities of workers. As against these, small enterprises are located near workers' residence. As such these are not required to undergo such costs. Besides the costs which the community has to bear in the form of air and water pollution in case of large scale industries, are non-existent in the case of small enterprises.