CHAPTER - 2
REVIEW OF LITERATURE

Let us make a brief review of the available literature on the related aspects of the present study. An attempt is being made in this chapter to review the works done by various scholars.

R. P. Mahapatra (1986) in his case study on 'Sickness in Small Scale Sector of Orissa' seeks to study various causes of sickness, nature of sickness, the concentration of sickness and educational back-ground of the entrepreneurs and their impact on sickness in small scale sector of Orissa. The study is mainly confined to sickness in small scale sector of Orissa. For this purpose he chooses 49 sample units (Orissa State Financial Corporation’s assisted S. S. I units) on cluster-cum-random basis. Out of the 49 sampled sick units of the state, in as many as 53% cases there was mismanagement of working capital funds, in 13% cases there was faulty project planning, in 12% cases there was lack of initiative in the party, in 4% cases there was machine break-down and in 6% cases there was conflict. Therefore, the major causes of sickness in 88% cases were internal in nature. The external causes of sickness were observed only in 12% cases. Out of the chosen sample units of the state, 61% of the total units belong to manufacturing and processing group, 16% in trading group, 18% in servicing group and the rest 5% in cottage industry group. Out of the selected sample units of the state, 32 sick units are in urban areas, which account for 65% of the total sample. Only 17 units were there in rural areas, which account for 35% of total sickness of the state. Out of the total 49 sick entrepreneurs, 14 were undermatriculate, 8 were matriculates, 4 had intermediate qualification, 19 were graduates and 4 were post-graduates. According to him, it was clear that in orissa, large number of entrepreneurs had set up their units not out of their entrepreneurial skill or foresight, but because they were not finding gainful jobs elsewhere. They had started their units half-heartedly by way of getting the financial assistance under the “educated unemployment scheme” and thus failed miserably in their ventures.
K. R. Punia (1989) in his publication entitled ‘Small Scale Industries in Haryana’ mentioned that Haryana is a tiny state with just 1.3% of the country’s total area and having 1.9% of the country’s population and the number of registered SSI units were 82,600 as on September 30, 1980. According to him, on an average more than 22 small scale units were being set up everyday at that time in the state and many units were equipped with modern machines and were engaged in manufacturing a wide range of high quality goods. The main factor responsible for growth of SSI was that a large number of units had been set up by rural entrepreneurs. With a view to strengthening entrepreneurial base in the rural areas, a Rural Industries Scheme was launched by the State Government in 1977-78. A central scheme for providing self-employment to educated unemployed youth in industry, service and business had been launched since 1983. Most of the areas in Haryana are at a stone’s throw distance from Delhi and are very well connected with it by road and rail. Facilities, incentives, subsidies and relief’s provided to small scale industries in Haryana include:
- Seed money to educated unemployed entrepreneurs
- Interest subsidy for technically qualified unemployed entrepreneurs
- Sales – tax exemption
- Exemption from electricity duty
- Special incentives to tiny units in small scale sector
- Allocation of scarce raw materials to SSI units
- Reservation of industrial plots for non-resident Indians
- Subsidy for purchase of testing equipment
- Octroi duty exemption to new industrial units

As a result of all these activities, a favourable growth oriented industrial atmosphere has been created in Haryana.

In the study entitled ‘Reservation Policy for Small Scale Sector’, G. S. Uppal (1994) remarked that the small scale sector in India has emerged as a dynamic and vibrant sector of the economy during the 80s. The policy of
reservation was initiated in 1967 with 47 items in the list. As per this policy, certain items had been exclusively reserved for manufacture in small scale sector. The objective was to protect SSI units engaged in the manufacturing of such items from the competition of medium and large scale units. The reservation policy prevented the creation of fresh capacities in the large scale sector in areas which were well within the competence of small scale sector so that small scale units are able to cater to the additional demand for the reserved items. A decision was taken in 1978 to recast the reserved list by assigning National Industrial Classification (NIC) codes to the items. As a result, the list of reserved items got expanded from 504 to 807 items in 1978. With a view to determining the nature of any article or class of article that may be reserved for production by the small scale sector, Government constituted an Advisory Committee on Reservation in March, 1984 headed by secretary (ID). This committee has been reconstituted in December, 1992 with secretary (SSI &ARI) as chairman. The Advisory Committee made its recommendation after taking into consideration the following criteria which were also listed in the I (D & R) Act, 1951 as amended in 1984.

- The nature on any article or class of articles which may be produced economically by the small scale industrial undertakings.
- The level of employment likely to be generated by the production of such article or class of articles by the small scale industrial undertakings.
- The possibility of encouraging and diffusing entrepreneurship in industry.
- The prevention of concentration of economic power to the common detriment and
- Such other matters as the Advisory Committee may think fit.

Dr. Vasant Desai (1983) in his publication 'Problems and Prospects of Small Scale Industries in India' mentioned that problems faced by most of the small-scale industries in India precisely in the eighties were shortages of raw
materials, inadequate technical knowledge and lack of technical counsel, inadequate infrastructure, inadequate capital and credit, inadequate distribution systems, lack of facilities for market analysis and lack of scientific management etc. They are also weak in shop layout and in marketing their goods beyond their localities, particularly in international markets. According to him, the prospects of small scale industries in India covered likely development in regard to industrial policy, small-scale industries and exports in the eighties. He has suggested that small scale industry can only flourish if it is in a position to respond to the demands of those participating in it and of the general community. He has also pointed out the causes of sickness among the small-scale industries and made an indepth study of industrial estates, district industries centres and export.

In an article entitled 'Development and Prospect of Small Scale Industry in Bihar' Vimal Kirti Singh (1999) stated that development of small scale industry and khadi and village industries is the powerful means for rapid industrialization and regional balance of a backward economy like Bihar. It can play a vital role in creating and substantiating large employment opportunities at relatively low capita cost and within shorter time frame. There are about 1,66,204 registered SSI units. According to him, khadi and village industries sector occupies the pride place in Bihar's economy and this sector offers vast opportunities for gainful employment. Bihar also provides great opportunities for the development of food processing industry, handlooms, handicrafts and sericulture. The State Government has already identified thrust areas like mineral based, metallurgical based, engineering based, non conventional energy, telecommunication, computers, pharmaceuticals, leather, livestock based industries, industries based on waste recycling and eco-friendly raw materials and process, environmental protection technologies, commercial industrial afforestation, health services, food and food processing, agro-based industries and tourism to boost up industrial activities. According to him, the state has also formulated plans for
development of mega growth centres, mini growth centres at selected places in Bihar for integrated development of industries with local resources and skills. This envisages an investment of Rs.250 crore in the Industrial Infrastructure Sector besides attracting investment of Rs.1000 crore in Industries and Power Sector in these centres. This needs financial support from the Government of India and Central Financial Institutions.

Dr. M. K. Patel (1987) in his study 'Small Scale Sector: Sickness and Rehabilitation' mentioned that small scale industries play an important role in the national economy; the Central/State Governments have taken active steps to promote and foster their growth. The number of small scale industrial units were 12.75 lakh at the end of 1984-85 and 90 lakh people were employed in this sector. The total production in the small scale industries was valued at Rs.50,250 crore and the value of total exports of the SSI products was estimated at Rs.2350 crore in 1984-85. Even though there is a rosy picture of the SSI sector at National level economy, there are no reasons in denying the fact that industrial sickness among these units has been spreading and resulting in the closure of large number of industries. In Indian economy, with their limited investible resources, they can not easily afford their productive assets turning non-operational. At the end of December 1982, there were 60173 total sick units in the country. Out of the total, 97.30 percent units were in small scale industries. In 1983, there were 80110 sick units in the country. Out of that 97.82 per cent were sick small scale industries. In 1984 this figure has increased upto 91450 (98.04%). In 1985 out of 99658 sick units 97980 (98.34%) were sick small scale industries. In recent times when industrial sickness in small scale sector is going up and up, there is an urgent need for finding a solution and rehabilitation of these units. Government have taken some measures for the rehabilitation of small scale sick units such as reservation of items for exclusive production and purchase, priority in the disbursement of loan, concessions in the import of raw material and machinery, excise relief, soft loan scheme for modernisation,
relaxation of control orders, liberal import facilities, selective tariff protection, sales tax relief and relief in electricity charges. Financial agencies and institutions have also taken some measures. Reserve Bank of India has set up a sick industrial undertakings cell to function as a clearing house and act as a co-ordinating agency. Besides, assistance like training and consultancy are also provided to sick small scale industries by Small Industries Service Institute, District Industrial Centres, Small Business Development and State Level Technical Consultancy Organisations. According to him, problems of sick small industries can be solved by the co-ordinated efforts of financial institutions, commercial banks, government, workers, assisting agencies, other organisations and entrepreneurs without any delays.

In the study entitled 'Sickness in Small Scale Industrial Units' Dr. D. Ramachandra Reddy (1994) stated that one of the most significant features of planned economic development in India has been the phenomenal growth of small scale industries, it has become an effective instrument of progress and development in terms of industrialisation of rural areas and a measure of tackling the problems of unemployment plaguing the masses and the country. A study of Reserve Bank of India's annual report ending on 30th June, 1987 revealed that during the year 1986-87 about 100 industrial units had turned sick per working day. A more concerning aspect was that majority of them were small scale units. It was also estimated that 80 percent of the total units are non-viable, however, only one percentage of them is allowed to close down. According to him, a study of the industrial sickness in India revealed that the state did not take preventive measures before the enterprise closed down or became so seriously sick that they had to be admitted to the 'emergency ward'. There were 2,46,911 sick units at the end of March, 1992 with outstanding bank credit of Rs. 8,887.22 crore. According to him the internal causes of sickness in small scale units are inadequate technical know-how, locational disadvantage, improper layout, outdated production process, obsolete machinery, high cost of inputs, defective pricing.
policy, weak market organisation, lack of market feedback and market research, poor sales promotional techniques, siphoning away of funds, overtrading adverse debt-equity ratio, poor collection policy, lack of professionalism, poor industrial relations etc. and external causes of sickness are infrastructural bottlenecks, power shortage, Government controls and policies, fiscal duties, procedural delays in sanctioning licenses etc. inflationary and recessionary trends in the economy, natural calamities, wars, sympathetic strikes and so on.

In the study entitled 'Impact of Economic Reforms on Sickness in Small Scale Industries' M. M. Hasija (1998) emphasized on small scale industries to increase employment opportunities for the labour force and attain balanced regional development. Fiscal concessions in the form of tax reliefs, setting up of industrial sheds, priority credit, reservation of products, preferential purchase from SSI, etc. had been adopted as a promotional measure for the growth of small scale sector. To equip the small scale units with modern and up-to-date technology, the investment limit for SSIs has continuously been enhanced from time to time. The efforts of the Govt. have resulted in the phenomenal increase in the number of units in the small scale sector. A number of causes both internal and external had been responsible for industrial sickness in the small scale sector. The causes of sickness affecting industrial units small or big may be more or less the same but the problems of the sick small scale units tend to be complicated because of certain inherent weakness in their financial and organisational structure which render them susceptible to the vicissitudes of trade and economic climate. It was observed that at the end of March, 1991, there were 2,21,472 sick SSI units which increased to 2,68,815 by the end of March, 1995. Thereafter, it started declining and come down to 2,20,594 units at the end of March 1998. Over the corresponding period, bank dues outstanding against sick SSIs increased by 37% from Rs. 2792 crore to Rs. 3843 crore. Since the start of the economic reforms in 1991, potentially viable units as a percentage of total sick units
increased from 7.28% at the end of March, 1991 to 8.46% at the end of March, 1998. It was observed that in the initial years of the reforms when the industrial growth was low; there was a growth in sickness in SSI sector. As the industrial growth rate of above 10% was achieved in 1995-96, the number of sick SSI units had started decreasing. Even thereafter the industrial growth rate has slowed, still the number of sick SSI units gradually been coming down.

M. R. Chaudhuri and Pratima Rohatgi (1984) in their joint article entitled ‘Small Scale Industries in Cooch Behar, West Bengal’ stated that the industrial economy of the Cooch Behar district revealed that the process of industrialization was infancy at that time. The total number of registered small scale units in Cooch Behar occupied 15th position among the districts of West Bengal. Reasons for backwardness were geographical isolation, lack of entrepreneurship and inadequate infra-structural facilities. The district was lacking in minerals excepts bricklay and riverline boulders. Jowar and Tobacco were the two most important commercial crops. Paddy was the most important crop amongst the cereal crops. The man power was sufficient though not skilled. Infrastructurally, the area was very poorly developed, the main sources of power being Jaldhaka hydel project, gas turbine, Cooch Behar power house, West Bengal State Electricity Board of Jalpaiguri Division. The transport was also not sufficiently developed. Half of the police stations were not touched by the railways. There was lack of organised market. Banks were playing a vital role in financing the entrepreneurs. There were 2278 registered and 4627 unregistered small scale units in this district at the end of September 1979. There were many different types of manufacturing, according to the classification system devised by the SSI. The industries were raw material and demand based, the important industries in terms of person employed are textile followed by tobacco and chemical. Almost 90 percent of industrial units and equally the industrial workers were concentrated in the industrialised police station i.e. Cooch Behar, Tufanganj,
Dinhata and Mathabhanga. Cooch Behar police station alone accounts for 80 per cent of manufacturing units of the district. The economic justification of small scale industry (in Cooch Behar district manufacturing industries are of small scale) in Indian development planning lied in its high labour intensiveness, its ability to use local resources, labour and skill, its low capital cost, its scope for dispersal. The broad justification was in avoidance of concentration and congestion and protecting against environmental ill-effects of modern development. Regional testing centres were helping in standardization of their products. Though there was ample potentiality for the development of industries mainly raw-material and demand-based still the district was not much developed because of some of the problems faced by the existing industries. (i) There was no industrial estate in the district at that time (ii) The flow of institutional credit to the industry was much below the expectation of the local entrepreneurs. (iii) Procurement of raw-materials from outside the district created lot of problems to the entrepreneurs (iv) Infrastructural facilities were inadequate in different growth centres of the district (v) Lack of technical guidance to the prospective and existing entrepreneurs. (vi) The district also suffered from power shortage and unorganised market facilities. To solve these problems Govt. tried best by setting up co-operatives, selling raw materials at cheaper rates, by providing financial subsidies for setting up new plants, by setting up Research centres etc. If the efforts would be made sincerely, the agrobased industries of this district may play a significant role in the industrialization of West Bengal.

In the study entitled 'Financial Assistance to Small Scale Units' M. R. Brahmarakshas (1984) observed that a major problem faced by prospective entrepreneurs in setting up a small scale industry is the lack of finance. Many of the potential entrepreneurs do not have sufficient personal funds required for setting up a small scale unit and even those who have the finance, find it difficult to fund a small scale project entirely on personal savings. A wide range of financial assistance schemes have been introduced by both the
Central and State Governments to assist potential entrepreneurs in overcoming the difficulty of financing a scale unit. A prospective entrepreneur with a non-industrial background may find it difficult not only to categorise his financial requirements but also to approach the agency for assistance for each category of loan. According to him, the finance required for setting up an industrial unit can be divided into two broad categories viz. Fixed capital and working capital. Loans required for acquiring fixed assets are provided by the Maharashtra State Financial Corporation and the Regional Development Corporations. The National Small Industries Corporation Limited, New Delhi, supplies machinery and equipments on hire purchase basis. The Maharashtra Industrial Development Corporation provides plots/sheds in the industrial areas developed by them. Term loans to acquire fixed assets are also provided by all the Nationalised Banks and other Commercial Banks in the country and can be utilised for expansion of existing capacity, modernisation of machinery, and diversification of production. Loans required for working capital are provided by all the nationalised banks and other commercial banks.

Reena Das (1989) in her study on 'The Situation in Cottage and Small-Scale Industry in India' stated that the basis of Indian economic is the agrarian society. Her economy is mainly dependent on the rural sector and more than 75% of total population are directly or indirectly involved in agriculture. The agrarian sector can provide impetus to the industrial one through the agro-industrial relationship. The chances to grow more agro-based industries would accelerate the rural economy. This in turn would help to raise India's per capital income as well as standard of living of the rural sector. In each five year plan, programmes have been formulated and implemented to encourage cottage and small-scale industries. In the First plan, the outlay was Rs. 420 million, in the Second it was Rs. 1870 million, in the Fifth Rs. 6110 million, in the Sixth it was Rs. 17,800 million and for the Seventh it was Rs. 27,527 million. The Khadi industry in India employed 1.3
million people (1984-85) and its total production value was about Rs. 1576.2 million. The village industries employed nearly 2.5 million persons, produced products valued at Rs. 8070.6 million and contributed towards a per capita earning of Rs. 888. Production of village and small industries stood at Rs. 72,000 million in 1973-74 and this rose sharply to Rs. 5,05,200 million or nearly 77% of the total output in 1984-85. Employment increased from 3.79 million to 9.00 million during the same period and export performance soared from Rs. 5380 million to Rs. 23,500 million.

M. R. Chaudhuri (1988) in his study entitled ‘Small Scale Industries in India’ expressed satisfaction over the phenomenal growth of small scale industries during the last decade and remarked that this sector, now, occupies a unique position in the economy of the country. According to him, it is because of following measures:

- The District Industries Centres (DICs) provide a focal point at the district level for the promotion of small, tiny, village and cottage industries and aims at providing all essential services and support at the district level.

- The credit provided by banks to small scale industrial sector is treated as credit to ‘priority sector’.

- Small Industries Development Organisation provides a comprehensive range of consultancy services and technical, managerial, economic, statistical and marketing assistance to small scale units through its network of 26 Small Industries Service Institutes (SISIs), 32 Branch SISIs, 40 Extension centres, 4 Regional Testing Centres.

- A National Board of Entrepreneurship Development and a National Institute for Entrepreneurship and Small Business Development (NIESBUD) were established in 1983 for laying down policies, reviewing the programmes and co-ordinating the activities and programmes of various agencies in the field of entrepreneurship development of different target groups.
The National Small Industries Corporation Ltd. (NSIC) set up in 1955 supplies machinery to small scale units on hire purchase basis.

Kuntala Lahiri (1983) in her publication entitled 'Some Observations on Development of Small Scale Industries in the Backward areas in India' observed that economic backwardness is a relative concept. According to her the backwardness of an area is primarily determined on the basis of the percentage of scheduled caste and tribe population, the area covered by desert, the area affected by frequent floods or famines, occupational classification, economic health of the area as illustrated by cropping intensity, yield, firm workers etc., social overheads on transport, education etc. She also mentioned that in India various incentive schemes have been evolved towards attracting industries in the backward areas. They include:

- Central Investment Subsidy Scheme providing for a cash subsidy of 15 per cent of the project cost subject to a maximum of 15 lakh covering 10 districts;

- Concessional finance providing for finance at concessional rates 12.5 per cent on direct and foreign currency loans and 13.5 percent for bridging loans and refinance facilities to commercial banks and other financial agencies to the extent of their loans and advance to small scale units set up in backward areas;

- Partial Tax Holiday allowing a 20 percent deduction in the profits and gains for 10 assessment years to industrial units set up in backward areas;

- Special Incentives Instituted by State Governments including additional investment subsidy, sales tax loan, allotment of land and inputs on priority basis, preference in Government purchases etc.

In the study entitled 'Importance of Small Scale and Cottage Industry in the Economy of Nadia District' Tapasya Saha (Das) (1986) mentioned that the economy of Nadia district presented the usual features of economic
under-development like an inadequate exploitation of natural resources, a relatively low rate of literacy, low labour participation ratio. The district was also characterised by high density of population and a dominant agricultural sector. He highlighted that more than 68.24% people were engaged in primary sector, 11.58% were engaged in secondary sector and the rest 20.18% were in the tertiary sector. The major share of the district's income nearly 61% came from primary sector. According to him, causes of backward economy of the district were inadequate agricultural development, insufficiency of infrastructural facilities, slow progress of rural electrification, transport and communication and market facilities. Thus in the context of the district's certain limiting conditions for greater industrial development, such as total absence of mineral resource availability, abundance of unemployment, scarcity of capital, uneven pattern of urban and semi-urban development and last of all poor marketing facility, the small industry, with its relatively low capital intensity, high employment generation and potential of dispersal of industries specially in the rural areas, has an important role to play. This sector had grown phenomenally over the past decade. This growth was not only in terms of production, contribution to external markets outside the state and job opportunities created. It was a major supplier of mass competition items. Nadia was dotted with 52,638 small scale units in 1977 apart from handloom weaving. The broad classification of units were:

1. **Agro-based** - Ricemilling, wheat grinding, oil processing, fruit processing, gur making, dal husking etc.
2. **Forest based** - Mat and basket weaving, chati making, wall making from bamboo, cane furniture making, sola pith, saw milling, wooden furniture making etc.
3. **Handloom weaving**
4. **Engineering** - Galvanised pipes of assorted sizes, M. S. (Mild steel) Black pipes, pipe fittings, Machine parts, Railway fittings, etc.
5. **Building materials** - Brick Kiln, tile making etc.
6. Metal based – Brass and metal works etc.

7. Miscellaneous – Ceramic works, clay modelling, chemical based, paper and paper board etc.

In an article entitled 'Small scale sector—a vital link in the industrialisation process' former President of India, Dr. Shankar Dayal Sharma (1994) remarked that small scale sector is an important component of our national industrial base and the driving force of our developmental efforts. It is the vital link in the industrialisation process, which actually takes modern technology to the people. Small-scale industrialisation is thus the prerequisite for balanced growth.

Industrialisation is not to be visualised as an end objective in itself, but as the means through which economic activity can be intensified, wealth created and opportunities of work multiplied. Small industry has particular relevance to the generation of jobs for our people and giving them encouragement so that they can compete with the best in the world.

The diversity of India is expressed in many forms. Among them is its economic facet. Various regions of our nation have developed at their own place, leading to disparities. It is one of the things which the whole nation has get to think about. Complex reasons, going far back into history, account for this phenomena of differential development. But what is recognized today is that our national unity requires that these regional economic gaps be narrowed. Small industry can play a large part in ensuing this objective. Small scale industry also offers greater job satisfaction. Every worker feels his contribution. Where there is a large number of workers, things are different. In small number everybody feels that he is a partner.

The social relevance of small industry is not limited to employment generation. The encouragement being given to women entrepreneurs is an important aspect as it encourages the neglected half of our society to play their rightful role in our development. Similarly, the support given to weaker
sections of the society and to backward areas to enter the industrial area is very commendable.

Economic liberalisation and reform poses its own challenges to small scale sector. In this respect, small scale sector is meeting it bravely and making the best use of this liberalisation. The decontrol and de-regulation of economic activity affords opportunities which can be taken full advantage of by our capable, talented and confident entrepreneurs. Confidence is very important. We are entering an era where global trade and technology transfers will have growing importance. In this competitive environment we can not be effective abroad if we are not competitive at home. Our work culture must be oriented towards greater production, so as to maximize our labour advantages. A more open economy is not only to the benefit of the consumer but it is in the self interest of industry, which must rise above protectionism and complacency. Keeping pace with contemporary technology is of utmost importance. Where small scale industry is concerned this is possible both through their own initiative and by close interaction with large and medium industry.

Small scale units have a significant place in India's export and account for almost one-third of our total exports. An era of greater competition will inevitably lead to higher expectations. Small industry must meet the twin requirements of standardisation and scheduling. These two criteria will determine the reputation of Indian products abroad and compromising on either is to our national detriment.