CHAPTER 2

LITERATURE REVIEW

While conducting any research work the review of literature of the past theory is necessary. The literature review provides information of the work done in the related area and theoretical framework on which the proposed solution of the problem can be based. The literature on the problem is quite scattered and extract from different sources to make the depth study of the problem under study namely role of small scale industries in economic development of Punjab. The brief review of the literature has been given below.

2.1 INTERNATIONAL LEVEL STUDIES

Summers, (1932) has examined the comparison of the rates of earning of large-scale and small-scale industries. The study concluded that the highest average rate of earnings for the twenty-year period was found in the smallest size-group.

Reuben, (1947) has analysed the situation and significance of small scale industry in Japan during the pre-war and wartime periods. The study revealed that small-scale manufacturing was found not only in the manufacturing of traditional Japanese-type goods and handicraft items, but also in manufacturing of goods which in western countries tend towards a larger scale of operation. This study also found that the pre-war and war-time trend of small and middle-sized units have shown a continuous relative decline in their share of industrial employment.

Herman, (1956) has traced the role of handicraft, cottage, and small-scale industry in the Asian economic development. The study came to the conclusion that the total employment in handicraft and small-scale industry was almost five times greater than in the factory industry, only in Taiwan factory employment was higher. This study has shown that the costs of improving small, scattered enterprises were heavy, and the pace was slow.

Hoselitz, (1959) has attempted a study on the small scale industries of developed and under developed countries like India and Japan. In the context of India, the author undertook a detailed study on the occupational background of the founders of 52 enterprises in the light-engineering industry in Madras State and also a detailed analysis of small-scale industrialists in the light-engineering industry in North India. The study found that establishments were owned by a
craftsman or a person from some other occupational background, they all faced the same problem: shortage of working capital and virtual absence of reserves. The study revealed that productivity in dwarf firms was half of that in small firms in Japan and Norway.

Banerji, (1978) has studied the contribution of small-scale plants to total manufacturing in terms of value-added and employment in mixed sample of developed (high income) and developing (middle and low income) countries. It also focused on the relative Labour Productivity of the Small-Scale Sector. The comparative overview clearly showed that small-scale production units were predominant in the plant structure of industries in all sample countries. The results have shown that the contribution of small scale industries to total industrial value added was generally low but they represent an important avenue of industrial employment for countries at lower levels of development.

Thomas, (1979) has analysed the factors underlying the policy of promoting small-scale sector and to expose some of the major limitations of this policy. The result shown that indiscriminate promotion of small-scale industry, defined merely in terms of size of capital, need not result in increased employment or the most efficient use of scarce resources like capital and land. Very important factors like consumer interest, market linkage, the efficient use of resources and the need for innovation, necessitate the continued growth of large-scale industry.

Peng-Lim, (1984) has highlighted the extent and importance of small enterprises in the ASEAN region. This study also examined some of the constraints faced by ASEAN small enterprises. The study found small enterprises constitute a vital majority in the manufacturing sector in the ASEAN region and lack of credit had been identified as one of the major constraints in the expansion of small enterprises in the ASEAN countries.

Chowdhury, (1985) has discussed the comparative policy and institutional frames for small and large scale industries in Bangladesh's cotton weaving sector in the pre-and post liberation period. Small scale enterprises refer to all handloom units in the country. The study found that the share of handloom industry in total domestic output has fallen during the post-liberation period.
Cinar and Kayta, (1988) have examined the status and survival potential of small scale manufacturing firms in the Bursa in Turkey. This study shows that the survival of the firm depended on its use of labour in the input market. This study also found that most of the traditional small scale firms which were barely surviving were competing with each other or with the informal firms.

Schwalbach, (1989) has conducted a study on the Importance of small, medium-sized and large businesses in German manufacturing industries during 1977-1986 Year. The study had provided empirical evidence identifying the determinants of the plant size distribution and the importance of small plants in German manufacturing industries. The results show that the share of small plants increased slightly over time, while the shares of medium-sized and large plants both have decreased.

Bhatia, (1990) has focused on the productivity of United States, India and United Kingdom manufacturing industries. This study is based on time series data of period 1965-1985. This study found that there are several factors affecting productivity such as level of technology and social-demographic, human resource management and institutional restrictions. It also found that India has low productivity as compared to the United States and United Kingdom because India has lower level of technology and unstable socio demographic changes. This study shows that efficiency was influenced by factor of production, work place and working condition, socio-economic and socio-politics situations.

Krishna and Sahota, (1991) have examined the Trends in total factor productivity (TFP) and Technical efficiency (TE) in thirty important four-digit manufacturing industries in Bangladesh for individual firms for the period 1974-86. The empirical result shows that Fifteen of the thirty industries experienced no significant productivity change over the period. The over-all impression the results produced is that there was no pronounced improvement in productivity over the years.

Tambunan, (1991) has investigated the pattern of change and development of Small scale industries (SSIs) in Indonesia during the past two decades in terms of number of establishments, employment and value added for the period of 1974-86. This study evaluated the relative importance of SSIs in terms of income distribution and government’s policies and program to
promote the growth and development of small scale industries. This study has found that SSIs still provided the bulk of employment and income opportunities for a large part of the population in Indonesia.

Bonelli, (1992) has studied the relationship between total factor productivity and output growth and variables related to trade orientation in Brazilian industries. This study indicate that total factor productivity change positively associated with output growth, the relationship being stronger for the slow growth period 1980-1985 than for the high growth period 1975-1980. In the former period total factor productivity change account for nearly all of output change. These studies highlight the role of trade related variables in accounting for a sizeable proportion of output change.

Rogerson, (1993) has analysed the current problems and prospects of developing black small-scale enterprise in South Africa with a special focus on urban areas. The findings were presented of several studies identified major blockages to black small business development. The results showed that for new enterprises lack of markets, large competitors, lack of credit and lack of working capital was the central problem.

Stokke, (1994) has elaborated the growth of small-scale industries in Hambantota District, Sri Lanka. The result revealed that the growth of these industries depends largely on the changing demands pattern for their goods in non-local markets.

Yean, (1997) has highlighted the influence of trade policies and industry characteristics on productivity growth of the Malaysian manufacturing sector between 1986-91. The results show that productivity growth in the Malaysian manufacturing sector was influenced positively and significantly by the rate of growth in output, exports as well as by foreign investment. This study found that the overall productivity growth for the manufacturing sector between 1986-1991 was quite low.

Mtatifikolo, (1998) has discussed the role of small scale industries in developing countries. The study found that small scale industries were significant component of the industrial sector in
many developing countries and they constituted the bulk of industrial employment because they were relatively more labour intensive and less capital intensive

Parker, (1999) has analysed the late European policy changes designed to support small and medium size enterprises in the context of three European countries- France, Germany and Sweden. The result found that these three nations faced significantly global and domestic challenges to their traditional policy regimes. This study had argued that the objectives of policy changes that focus on SMEs need to be evaluated in the light of empirical evidence about the contribution of SMEs to innovation and employment. This study suggested that the policies in support of SMEs needed to be formulated with awareness.

Francis and Collins-dodd, (2000) have investigated the effect of high-tech Small and medium enterprises export marketing orientation on their export performance. In this study, several items are used to measure export performance: export intensity, export sales, export intensity growth, and export gross margin profitability. The study found that proactive and conservative export strategies and motivations produced opposite effects on multiple measures of export performance for these small and medium-sized Canadian high-tech firms in the information technology

Becchetti and Santoro, (2001) have examined the determinants of small and medium-sized firm’s internationalization and its relationship with productive efficiency. The stochastic frontier approach found that the creation of sale structures abroad decision was positively and significantly related to efficiency net of the positive and significant effect of exports.

Becchetti and Trovato, (2002) have analysed the determinants of growth for a sample of about 4000 Italian small and medium sized firms between 1989 and 1997. The empirical result shows that small surviving firms had higher growth potential but this growth potential was limited by the scarce availability of external finance and lack of access to foreign markets.

Mahadevan, (2002) has evaluated the total factor productivity growth of twenty-eight Malaysian manufacturing industries from 1981 to 1996. TFP growth was measured from two different models of the frontier approach: stochastic frontier model and DEA model. The stochastic frontier model shown that output growth had been mainly input-driven rather than productivity driven, and that TFP growth had been consistently negative over time. On the other
hand, the DEA model had shown consistently positive TFP growth rates. Due to the use of different methods and models, TFP growth rates differ but both models shown that TFP growth was low and declined over time.

Moen and Servais, (2002) have traced the export behaviour of small and medium enterprises in Norway, Denmark, and France. This study focused on the concept of gradual development. The study found that Norway, France, and Denmark, 38.8%, 34.3%, and 30.7% respectively of the exporting firms commenced their export activities within two years of establishment; this means that there was large number of newly established exporting firms. The results suggested that export intensity, distribution, market selection, and global orientation were not influenced by the firm's year of establishment or first year of exporting activity.

Nugent and Yhee, (2002) have provided an outline of the development of the small and medium enterprise (SMEs) sector in Korea during the past quarter century. This study has shown that how the industrial structure of Korea had changed dramatically over the study period and shiny much greater share in employment and value added by SMEs. The evidence on SME dynamism showed that SMEs had contributed to the enormous transformations that have taken place in the Korean economy since 1975, especially with regard to exports, foreign investment and productivity performance. This study discusses the role of subcontracting as well as that of government and non-governmental institutions in supporting SME development. The main focus of this study was the link between variations in the economic importance of SMEs, as measured by their shares in employment, and aspects of growth and inequality to levy.

Wiboonchutikula, (2002) has studied the evolution of small and medium firms in Thailand in recent years. This study revealed that such firms do not preserve their share of total employment during the period 1987–96; indeed, their share fell from 60% to 52% over this period. This aspect was explored further by looking at small firm employment shares in three sub-periods of changeable overall economic growth rates. The result found that when overall economic growth was high, the share of small firms tends to contract possibly because many small firms become medium in size and others split.
Qian and LeeLi, (2003) have investigated the profitability determinants of small and medium enterprises in high tech industries. The empirical analysis of this study revealed that the profitability was positively associated with its innovator position, niche operation and internationalization. This study reveals that risks were negatively correlated with firm’s profitability.

Hossain and Karunaratne, (2004) have examined the effects of the trade liberalisation on the technical efficiency in the Bangladesh manufacturing Industry for the period 1978-94. The estimates obtained from the stochastic frontier inefficiency model. The focus of the study was on panel data for 25 three digit level industries. The study had observed that the technical efficiency of the manufacturing industries had increased over time. The study also found that there was no neutral technical change occurred in the production technology of the Bangladesh manufacturing industries. This study suggested that improvement in technical efficiency of Bangladesh manufacturing sector may be attributed to the competitive push to the domestic industries.

Wengel and Rodriguez, (2006) have focused on the export performance of small medium enterprises in Indonesia after the crisis. The study revealed that export shares was significantly lower for small firms than for larger firms and the presence of foreign buyers or investors increased the share of exports from Indonesian firm. The study suggested that Credit and machinery had a stronger positive effect on the small firms while imported inputs had a negative effect in contrast to domestic inputs such as labour.

Ayyagari and Demirguc-Kunt, (2007) have analysed the relationship between the small and medium enterprises sector and the business environment. This study shows comprehensive statistics on the contribution of the small and medium enterprises sector to the total employment and GDP of 76 countries. The study has found that the higher entry costs and contract enforcement costs were negatively correlated with credit information whereas strongly positively correlated with all other business environment indicators.

Chand, (2008) has conducted a study to examine the growth, efficiency, causes of sickness of small scale industries, emergence of entrepreneurs at Larkana estate areas of Sindh province and
the educational background of the entrepreneurs of small scale industries and its impact on the
growth of sales of the every year. This study has found that owners of small industries units are
family concerns and having a low educational background, lack of managerial knowledge and
conservation oriented attitude results in under utilization of capacity and low growth of units
established every year. This study indicates effective policy measures to promote small scale
industries in Larkana region and in Pakistan.

Lozi, (2008) has highlighted the implication of globalisation and domestic economic
liberalisation for small scale industries and analysed its growth performance. This study is based
on the survey and secondary data. The overall performance and contribution of small scale
industries to Jordanian economy is generally described in term of its absolute growth in units,
employment, production and exports. This study has found that the growth of small scale
industries in Jordan has come up due to globalization, domestic liberalisation and dilution of
sector specific measures.

Muhammad, (2008) has examined the relationship between labour productivity and
employment in Australian manufacturing small and medium enterprises (SMEs). The results
indicate that labour productivity of SMEs varies substantially between industries within the
manufacturing sector, but on an average, labour productivity for manufacturing SMEs has
increased at a faster rate than that of large manufacturing enterprises across all industries. All
manufacturing industries except one recorded employment growth during the period under study.
However like labour productivity growth, employment growth also varies across industries
within the manufacturing sector. Yet the study could not establish any definite relationship
between labour productivity growth and employment. This finding is consistent with some
previous studies.

Jajri, (2009) has studied the technical progress and labour productivity in small and medium
scale industries in Malaysia. This study used annual time series data on capital, labour and value
added output of manufacturing industries, during the period 1984-2005. This study used the
output oriented model of DEA(data envelopment analysis) mamlquist. The results of this study
reveals that between 1984-2005 total factor productivity growth of the Malaysian manufacturing
industries for the entire test period was negative due to negative contribution from technical
progress. It reveals that only four industries, namely food and beverages, wood products, rubber
products and chemical industries experienced positive total factor productivity growth. The remaining industries suffered a declining total factor productivity growth over the time period. The result reflects that technical efficiency does not depend on the capital intensity because some of these industries are high capital intensive; on the other hand, industries that are more labour intensive like food and beverage were very efficient.

2.2 NATIONAL LEVEL STUDIES
The second group of studies can be categorised as those to specific area, regions, State and Nation. There are several studies on this field at national level. The important studies are discussed below:

Cartillier, (1975) has studied the role of small scale pump set industries in economic development of Coimbatore. The main focus of this study was growth of these industries in period 1951-74. This study has found that number of electric pump set industries increased at a rapid pace, especially after 1956. The maximum rate of growth took place between 1966-72. The result shows that agriculture sector had greatly benefited from the use of electric pump-set.

Page, (1984) has elaborated the relationship between relative technical efficiency and firm size in four Indian manufacturing industries, shoes, printing, soap and machine tools for the financial year 1979-80. A frontier translog production function is used to derive measure of technical efficiency. This study has found that there is considerable variation in the firm specific indices of technical efficiency within each industry and firm size is found to be positively associated with relative production efficiency in only one of the four industries. The study highlights that average experience of the labour force within the enterprises, experience of entrepreneurs, age of establishment`s plant and equipment and level of capacity utilization were identified as significant source of variation in technical efficiency for one or more of the industries.

Goldar, (1985) has conducted study on small scale washing soap industry. This study was based on firm level data. A frontier production function used to obtain measures of technical efficiency. Measures of partial and total factor productivity and analysis of technical efficiency found that tiny units are inefficient compared to relatively bigger units within the small scale washing soap
industry. The study has found that there was positive relationship between unit size and efficiency, and high capital intensity of relatively large scale industry.

Nagraj, (1985) has studied the rate, pattern and characteristics of the growth of small scale industries in India. The results reveal that the correlation between variation in productivity and fixed capital per worker was positive and the correlation between productivity and profitability as profits were also positive. The correlation between productivity and employment is found to be negative but not statistically significant. A similar result is found between productivity of an employee and total employment. The results of this study suggested that smaller units in the small scale sector substitute capital for labour, skilled labour and use their capital stock more intensively.

Sandesara, (1988) has reviewed the Indian experience of promoting small scale industry over the last four decades based on official reports and academic studies on the subject. It traces the changes in the growth and diversity of small industry in terms of definitions, employment share in the manufacturing its structure.

Shaw, (1990) has analysed the interaction and linkage between the large scale and small scale industries of Thana Belapur in Maharashtra. The focus of this sample study was on eight large and eight small scale and twenty informal sector units. The result indicated that large scale petrochemical industries had weak economic linkage, on the other hand large scale engineering units had more closed link with small scale units.

Brunner, (1991) has discussed the problem of the level to which small- and medium-scale firms be able to serve as agents of technology transfer and acquisition in an economically developing country. This study also examined the government policy conditions in India which initially inhibited and then stimulated small and medium-scale enterprises. This study revealed that the Small-scale enterprises have prepared a significant contribution to technological advance in the Indian computer industry. But they were able to do so only after policy-determined deterrents to entry were removed.
Bhavani, (1991) has conducted a study to examine the efficiency of four digit level industries of metal product group belonging to the modern small scale sector. This study is based on firm level data. To measure the technical efficiency of selected industries using translog production frontier with three inputs viz capital, labour and material. This study has found that all the four metal product industries, the average level of efficiency is quite high and that efficiency measures increases with the increases in the size up to a size class and then decreases.

Sandesara, (1993) has attempted to highlight some aspects of modern small scale industry. This study has examined the growth and structural changes in modern small industry over the fifteen year period between 1972 to 1987. In this study growth of small scale industry was measured in terms of number of units, investment in fixed assets, production and employment. This study has found that food and textiles and services group increased their shares and metal and electrical product group has lost its share in the respective totals in the number of units, employment, investment in fixed assets and production during 1972 to 1987.

Shah, (1994) has examined the impact of inter-scale complementarities in terms of growth as well as inter-firm linkage, distribution of gains across large and small scale enterprises and the process through which linkages get established. This study was based on a case study of Textile Machinery Parts Manufacturing industry in Ahmedabad. The study revealed that among various forms of linkages the marketing linkages was the most predominant and the linkage relationship had been a positive factor in determining the performance of the small scale firms. The results show that the personal contacts play an important role in inter-firm linkages. Thus benefits of linkage relationship was primarily confined to a small social-group of industrialist. This study suggested that complementariness and division of labour between the different sized firms result into cost minimization, and acceleration in growth of the manufacturing sector.

Subrahmanian and Pillai, (1994) have conducted a study on small industry in Kerala and compared it with the performance of the sector in other major states and with the all-India average. The result show that the small industry in Kerala grew in number, but its growth recorded in net-value addition and employment creation appeared extremely poor as compared to all-India. The point-to-point annual compound growth rate (ACGR) between 1972-73 and 1987-
88 in Kerala was less than one-half in value added, and one-third in employment generation at all-India.

**Gupta and Rathi, (1996)** examined the structure and performance of small scale chemical industry in Gujarat for the period 1986 to 1990. This study was based on primary data from a sample of 208 small scale chemical units in Gujarat. From this study it was observed that about 20 percent of all the firms were engaged in each of the production of Dyes, and dyes and pigments intermediates. These were dominated chemical industries of Gujarat. This study found that firms located in Baroda and Ahmedabad districts attained maximum capital and labour productivities, those in Baroda the maximum turnover, and those located in Kheda, the maximum capacity utilization.

**Vepa, (1997)** made a study on the importance of the small scale sector not merely for providing employment at reasonable cost but also as a dynamic engine of growth for the national economy. It was pointed out that the major problems of small scale industries are geographic isolation and limitation of market.

**Mukherjee et.al. , (1999)** have analysed the growth profile of small scale industries in West Bengal in Districts during the period 1971 to 1997. The growth rate was calculated in terms of number of units and employment in each district. This study was purely based on data published in the economic review of the government of West Bengal. This study noted that in terms of number of units, Midnapur, Jalpaiguri, Malda, and 24 Pargana were among the high growth districts. On the other hand Calcutta and Murshidabad display the opposite phenomenon. In terms of employment again Jalpaiguri, Malda, West Dinajpur and Midnapur have registered high growth. This study found that there exist considerable differences in the rate across districts both for the number of units as well as for employment.

**Ghose, (2001)** has observed that over the years the concept of small scale industries had undergone periodic changes and the definition of small scale industries had been modified from time to time in the view of the government policies and overall economic environment. Even the
criterion used to define small scale industries had also undergone changes with investment being the sole criterion and reducing power and employment criterion.

Dhanmanjiri Sathe, (2002) has studied the impact of the industrial slow down on the small scale industries in Pune for the period 2000-2002. The survey was conducted from February to mid March 2002. The survey covered 182 small scale industries situated in Pune, Pimpri, Chinchwad, Bhosaria and Hadapsar. This study has found that a large number of small scale industries had badly hit by the slow down and almost 86 % of the companies faced fall in the sales, the reason for the fall in sales was increased competition and slowdown in the economy.

Subrahmanya and Balachandra, (2002) have outlined the Government policy for Research and Development technology for the development in small-scale industry in Karnataka. The result found that like in developed countries, research and development activities were carried out informally by most of the small firms and the nature of research and development activities carried out by tiny as well as non-tiny small firms revealed that improving product performance, solving common problems and changing product shapes, designs were the major characteristics of research and development in small firms in Karnataka.

Bala Subrahmanya, (2003) has highlighted the performance of small and medium enterprises and brought out their strategic importance in terms of investment, employment, production and value added in India in the 1990s. The result indicates that the capital intensity and labour productivity in SMEs had increased in the 1990s similar to that of Large Scale enterprises but on the other hand capital productivity had come down.

Dutta and Singh, (2003) have argued that the small scale industry is a key to India’s growth and alleviation of poverty and unemployment in the country. Therefore, promotion of such enterprises in developing economies like India is of paramount importance since it brings about a great distribution of income and wealth, economic self dependence entrepreneurial development, employment and a host of other positive economic uplifting factors.
Bala Subrahmanya, (2004) has analysed the growth performance of small industry in terms of growth in units, employment, production and exports, in India in the 1990s compared with in the 1980s. The study has show that the Small industry in India had found itself in an intensely competitive environment since 1990s and its growth in terms of units, employment, output and exports had come down. Lack of reliable and stable economic infrastructure, reduced growth of credit inflow, technological obsolescence, inferior quality and low productivity were the major banes of small industry in India.

Hussain, (2004) has focused on the performance of small scale industries in India during the period 1973-2002. The result indicates that there was a steady and significant growth in the number of SSI units, their production, investment, employment and exports over the years. This study suggested that for the survival of the industry in the world market, SSIs should have to lay greater emphasis on international standards with regard to quality, health and hygiene as well as in the variety of products to be offered by them.

Parameswaran, (2004) has discussed the total factor productivity of the capital goods producing industries. This study examines two components of the total factor productivity growth; one is technical change and second is technical efficiency change. The technical efficiency and technical change are estimated using a stochastic frontier production function. The main result of this study shows that all the industries studied experienced a significant improvement in the rate of technological progress during the post reform period. The results show that the level of technical efficiency is lower during the post reform period in Indian manufacturing industries.

Deshmukh, (2007) has conducted a comparative study on strategies of Indian small, medium and large scale organisations, to examine various issues such as nature of pressure and constraints, strategies adopted by these units for investments, competencies development, reducing cost and improving quality and their performance in comparison to national and international standard in the present scenario. The study found that the growth conducive environment and government support are the main constraints whereas cost, quality and delivery time are the main pressures. Performance of Indian organisation especially of small scale industries is not comparable with respect to international standards. Major weak areas of these small scale industries of Indian organisation are research and development, application of
information technology and training of employees. This study shows that small and medium enterprises in developed countries give a maximum focus for product arid process innovation and IT tools. Results show that performance of Indian organisation especially in terms of manufacturing cost, level of inventory, employees turnover rate is significantly below international standard. It also observed that government support and growth conducted environment are main barriers faced by Indian industries. This study also found that in comparison to international standard, performance of small scale industries on all the measures is significantly less than moderate level. Performance of medium scale industries and large scale industries is significantly less than international standards in terms of level of inventory, manufacturing cost, employee turnover rate and percentage rejection and the performance trends of small scale industries differ from medium and large scale industries.

**Bodla, (2008)** has analysed whether the new economic order has a positive or negative impact on the performance of small scale industries in India. The results reveal that the growth in the share of exports of small scale industries in total exports of India was higher in pre-liberalization period than the post liberalisation period. Compound average growth rate, with reference to the number of units, employment level, production and value of plants and machinery in small scale industries were also comparatively higher in the pre-liberalization period. Small scale sector is growing at a rate half of the total industrial growth rate. This study also found that small scale industries could not grow to the desired level due to intense competition from large and medium sized domestic and multinational companies. It has become essential for small scale industries to focus on research and development and deliver a superior product in the market.

**Sharma, (2010)** has investigated the relative production efficiency of state wise clusters in the registered small scale industries in India. For this purpose, the data envelopment analysis using for 23 states and 3 territories of small scale industries. This study found that seven states namely, Delhi, Meghalaya, Uttarakchal, Harayana, Punjab, Andaman and Tamilnadu are found to be technically efficient and most of the states are found to be operating at decreasing return to scale.

**Bharath and Reddy, (2011)** have conducted swot analysis to the contribution, strengths, weaknesses, threats and opportunities of small scale industries in India for the period 2004-2009. This study observed that the Small Scale units, investment, production and employment in small scale industries in India had increased over a period. The study found that the government had
provided some special facilities through different policies and programmes for the growth and development of small scale industries.

All the above referred to studies are on specific aspects and are not well investigated into some system. There are no theoretical and empirical underpinning provided by most of the studies and very little empirical effort is made for examination of structural relationship exhaustively and comprehensively. Though this is not an exhaustive survey of the literature and findings of empirical look that has gone into this area. We feel that it does provide analytical framework for enabling us to undertake the present study. Our research study is somewhat unique in the sense that so far, no study has been covered role of Small Scale Industries in Economic Development during the period 1990 to 2010 at state level. There is enough scope of research in this area.