CHAPTER -II

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2.1. INTRODUCTION

In India, the major source of employment opportunities provided is through the process of Industrialization. This phenomenon has prevailed even at the early stages of Industrial revolution in India. Perhaps, today the concept of industrialization might have acquired new dimension in view of changing perceptions of corporate entrepreneurship. Historically, industrial occupation and avocation includes the performance of varying degree of skilled jobs in industrial operations. In this context even the unskilled nature of job is viewed as skilled from particular point of view of individuals. These types of various avocations are performed by the persons who are generally designated as workers. The emergence of Small Scale Industries in India was in fact an apposite phenomenon for the growth of cottage and Small Scale Industry in India. Traditionally the Indian economy was dominated by the growth and sustenance of Small Scale Industry
though initially it suffered a stumbling block due to the existence of medium and large scale industries in India. It was due to constant efforts of the State these industries have grown traditionally in India. All the times through the history the Small Scale Industry in the country remained as the avenues for the employment potentiality for the rural as well as semi urban population in the country.

2.2. THE GROWTH OF SMALL SCALE INDUSTRY - A HISTORICAL PERSPECTIVE

For Centuries, India had a considerable variety of arts and handicrafts, which indicate a more advanced economic and financial organization than the crafts of contemporary Europe.¹ In several handicrafts specialization of jobs had advanced to such an extent that particular classes of artisans undertook distinct processes in the chain of production. The products of such processes had commanded wide foreign markets. Artisans worked independently as well as under master artisans, dealers and financiers. In the 16th and 17th centuries and even up to the end of the 18th century India enjoyed a long lead

¹ Jamuar R.S., Small Scale and Cottage Industry in India, Deep and Deep Publications, New Delhi, (1992) at 47.
over Great Britain and the rest of Europe in respect of cotton and silk textiles as well as many other handicraft products.2

In the 17th century, India was a hub of world commerce and magnet of world precious metals. The European merchants merely acted as intermediaries of traffic in the artistic goods that found their way to Europe through the Egyptian parts or by the newly open sea route via Cape of Good Hope.3 At that time neither Portugal nor Holland nor Great Britain produced much that could be imported in India in exchange for cotton and silk goods and saltpeter that were in world-wide demand. Europe had to pay mainly in bullion for the increasing volume of Indian exports. According to Industrial Commission of 1916-18, at a time when the Western Europe, a birth place of modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. And, even at a much later period when the merchant adventures from the west made their first appearance in

2 Ibid.
3 Ibid.
India, industrial advancement of this country was, at any rate, not inferior to that of the more advanced European nations.\(^4\)

The European trade in Indian cotton goods grew up at the beginning of the Seventeenth Century as a subsidiary industry for meeting the requirements of the markets in the South-East Asian countries which supplied spices to the European markets.\(^5\) Indian cotton goods were in demand in European markets as well and the Dutch, the French and the English, all began to buy considerable quantities of cloth, silk and saltpeter.

At the beginning of the 18\(^{th}\) Century, the Britishers were granted a *firman* (grant) from the great grand son of Aurongzeb, under which an exemption from all duties was accorded and this was the commercial charter for the Britishers in India. In fact, in the middle of the Eighteenth Century Indian textiles enjoyed a cost advantage over corresponding Great Britain and other European manufacturers. The cotton and silk goods of India could be sold for a profit in the British market at a price from 50 per cent to 60 percent lower than those


\(^{5}\) *Supra* n.1 at 48.
fabricated in England. There is a well supported historical view that prior to the Nineteenth Century India was a great manufacturing country. India was the major supplier of textiles, not just fine clothes, but everyday wear for the masses of the whole of South-East Asia, Iran, the Arab countries and East Africa. The European companies' trade opened up fresh markets for the same commodity in Europe, West Africa, Philippines and Japan. Cotton textiles constituted the overwhelming bulk of India's exports... raw silk, sugar and even saltpeter. Except for an insignificant amount of luxury goods, India imported no manufactured metal products before Nineteenth Century.

It could be stated that India was predominantly an exporter of manufactured products and an importer of primary or inter-mediate goods of consumer value.

India had also her artistic industries like marble-work, stone carving, jewellery, brass, copper, and bell metal wares, etc., which was source of a potential employment avenues for the urban and rural illiterate masses of the country. Metallic industries in India were by no

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8 Supra n.6 at 49.
means inferior to similar industries elsewhere. At that point of time of the history two types of industries subsisted in India, namely:

(i) Rural Cottage Industry; and
(ii) Urban Industry.

The day-to-day requirements of the agriculturists in the village were mostly fulfilled by the rural cottage industry. They served mainly the local needs. The artisans pursued their traditional occupations uninfluenced by the outside World. There was no organization and specialization in the occupations involved therein.

The urban industries, on the other hand, were more compact and closely organized. They were of two types, namely:

(i) The urban domestic industry; and
(ii) The Small Urban factory.

The Urban domestic industry turned out various products for the use of townsfolk and was carried on by family members in their
home establishment. On the other hand, the small urban factory produced more sophisticated products engaging some hired labour and with a greater degree of specialization than that of organized domestic industry. The urban industries served wider foreign market requirements. The most important of them were the silk and woolen fabrics, calicoes and silver wares. But the urban industry of all types depended for its prosperity on the royal patronage. The urban industries were organized in the guilds or by middlemen who used to provide financial assistance to the craftsman by way of advances. Many of the products of these industries were of high artistic value, though the output was small in quantity by modern standards. In the bigger cities, each craft was organized into a guild which was responsible for the quantity of the work and for the welfare of its members. In town, every trade had a chief, such as Chaudhary, Mistri etc., who received the prices of labour and commodities and used to settle their petty disputes. The independent craftsmen were not capitalists. They worked to order and worked on the materials supplied by their customers.

9 Supra n.6 at 50.
10 Ibid at 51.
11 Ibid.
The establishment of British rule in India was a slow and long drawn out process spread over for more than hundred years. It heralded with the Battle of Plassey in 1757 and was completed by 1858.

For the purpose of clarity in the context, the British period can be conveniently divided into two phases, namely:

(i) the rule of the East India Company; and
(ii) the rule of the British Crown.

During the East India Company's rule, there was a progressive realization of the Indian economy in general and decay and decline of Indian industries and handicrafts in particular. In this phase, England was passing through a series of changes in the techniques of production which culminated in the industrial revolution and radical transformation of the British Economy.\textsuperscript{12}

\textsuperscript{12} Ibid at 53.
The modern industrial enterprise in India developed after 1850, though beginning had been made towards the end of the 18th Century when the European planners began the manufacture of indigo. This new industrial activity took into two forms, namely:

(i) Plantation; and

(ii) Factory industry.

Europeans became interested in indigo, tea and coffee plantation since they provided easy and high return on the investment. Upto the middle of the 19th century the Europeans took very little interest in factory system in India.\(^{13}\) It might have been due to the restriction placed on Britishers for acquiring monopoly of the company till 1833, and the lack of internal communication. By the second half of the 19th century all the factors handicapping the establishment of industries lost their forces.\(^{14}\) The First World War created enormous demand for industrial goods in India. Imports fell substantially. The production of cotton and woolen textile, jute and leather goods received great stimulus. Factories in India worked their full capacities.

\(^{13}\) *Ibid* at 51.

\(^{14}\) *Ibid.*
In spite of this, there was failure of industrial system to respond to the situation which highlighted the inadequacy of India's industrial base. During the Second World War, soaring prices and acute shortage of goods brought severe hardships and suffering to the people. But Indian industries made important gains. Many new industries were started.

The old industries such as paper, cotton textiles and cement expanded considerably. The war period conditions of super-profits enabled Indian entrepreneurship and capital to expand in several directions. Firstly, a very large number of new companies were set up. Secondly, Indian joint-stock banks experienced very high rate of growth. Thirdly, Indian capital and enterprise penetrated the European controlled firms and industries. By the beginning of the First World War the British had controlled at least half the production in India's major industries. But this control steadily declined thereafter. According to one estimate the British controlled 43 per cent of gross assets in 1914, 10 per cent in 1935 and only 3.6 per cent in 1948.\textsuperscript{15}

\textsuperscript{15} \textit{Ibid} at 54.
In this way, the small scale and cottage industry in their varied characteristics have been regarded as “an integral and continuing element” both in the economic structure and in the sphere of national planning of India as well a source of high job potential opportunities for the Indian masses.

2.3. SMALL SCALE INDUSTRIES AND ENTREPRENEURSHIP – THE LEAD

The typical characteristics of the Small Scale Industry are the personal face of the organization and style of management. These kinds of organizations are having management which is basically proprietary in nature with a number of labour ranging from 20 to 100. Traditionally the Small Scale Sector is classified into two main categories, namely:

(i) Traditional; and

(ii) Modern Small Scale Industries.

The traditional industries include khadi and handloom village industries, handicrafts, sericulture, coir, etc. Modern small scale
industries provide wide range of goods from comparatively simple items of sophisticated products such as television sets, electronic control systems, chemicals, day to day consumer needed items, various engineering products, particularly as ancillaries to the large industries. The traditional sector is highly labour intensive and uses less of machine power.16

The Industrial Policy Resolution of 1948 recognized the potentiality of the Small Scale Industry in providing immediate large scale employment opportunities in the country in view of the fact that they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise would have remained unutilized.17 According to the Planning Commission of India, some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small centres of industrial production all over the country.18 The Karvey Committee19 suggested

17 The Second Five Year Plan (New Delhi: Government of India, Planning Commission, 1956) at 578.
18 Id. at 580.
that the principle of self employment is at least as important to successful democracy as that of self government. It is observed from the data provided by the annual survey on Small Scale Industries the productive capital per employee in large units is five to six times higher than in small units but the corresponding value added per unit of capital is higher in small units.\textsuperscript{20}

There are various factors responsible for the entrepreneurial success at the grass root level. The success of an enterprise largely depends on the orientation of an entrepreneur in the family towards business. This orientation leads to a higher level of commitment and greater degree of probability of success. Industry experience and work experience also leads towards the development of a successful entrepreneur. Many of the Small Scale Industries and start ups found successful today are largely being promoted by entrepreneurs with solid work experience. The risk perception towards entrepreneurship in Indian context is very high. The Small-Scale industries in India are the budding ground for entrepreneurs. It is important to look into the entrepreneurial issues in the light of efficiency building and value

\textsuperscript{19} Karve Committee Report on Village and Small Scale Industries Committee (1955) Government of India. (New Delhi) at 78.
\textsuperscript{20} Annual Survey of Small Scale Industries (Nesw Delhi: Government of India, 1994-95)
addition of this particular sector to the whole economy, particularly after the opening up of the quantity restrictions and de-regulation of certain sectors, which were earlier marked exclusively for the SSI sector.\textsuperscript{21} There is no denial to the fact that the pace and progress of an economic system largely depends on the emergence of dynamic and innovative entrepreneurs leading to self sustenance and employment creative potentiality. Instead of being dependent on the government subsidies and protections they have to play the role of changing agents. Their ability to innovate and take risk decides the fate and direction of a country's economy.\textsuperscript{22}

Entrepreneurship has resulted in millions of new businesses being formed throughout the World. During the last few years, the government and financial institutions have pumped huge amount of money for training to undertake entrepreneurial activities and giving various concessions, incentives, export facilities and other kind of subsidies with a dual purpose of creating the job sustainability and also to create employment opportunities.

\textsuperscript{21} Supra n. at 3.
\textsuperscript{22} Id.at 4.
It is well accepted phenomenon that Small-Scale Industry constitutes an integral and vital component of a developing economy. It contributes to attainment of economic goal of profit generation through entrepreneurship and social goal of creation of mass employment. The idea of promoting Small Scale Sector in India is not to develop a set of parasitic entrepreneurs but to bring the concept of efficiency and innovation to the grass root level which will help the sector to become more self sustainable.

2.4. SIZE OF THE SMALL SCALE INDUSTRIES AND ITS CLASSIFICATION

The Census of India 1961 distinguishes between three classes of establishments in each industry, namely, (i) those registered under the Factories Act, 1948; (ii) household enterprises; and (iii) the rest consisting of non-factory and non-household establishments.23 In view of lack of clarity through an enactment, the Government of India adopted a system by which a periodical declaration would be made

from time to time, of which the recent pronouncement provides that the units with investment in plant and machinery below the specified limit of capital are classified as “small”. The Micro, Small and Medium Enterprises Development Act, 2006 (here in after referred to as the Act) provided three types of definitions, namely: -

(i) Micro;

(ii) Small; and

(iii) Medium.

According to Section 2(h) and Section 7 (1) (a) (i) and (1) (b) (i) of the Act, micro enterprise means an enterprise where the investment in plant and machinery does not exceed Rs. 25 lakhs and in case of an enterprise which is providing services where the investment in equipment does not exceed Rs. 10 lakhs. A small enterprise means an enterprise where the investment in plant and machinery is more than Rs. 25 lakhs but does not exceed Rs. 5 crores and in cases where the enterprises involved in services the investment in equipment is more than Rs. 10 lakhs but does not exceed Rs. 2 crores. A medium

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24 The regime prior to the commencement of the Micro, Small and Medium Enterprises Development Act, 2006, wherein the Small Scale Industry was defined as a unit in which the investment in plant and machinery is less than Rs. 60 lakhs.

25 See Section 2 (m) and Section 7 (1) (a) (ii) and (1) (b) (ii) of the Act.
enterprise means an enterprise where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crores and in case of an enterprise which is providing services the investment in equipment is more than Rs. 2 crores and does not exceed Rs. 5 crores.26

Total employment in manufacturing, according to the Census of India (1991), rose from 18 million in 1961 to 25 million in 1981.27 The National Sample Survey (1990) data suggests that the workers in manufacturing sector rose from 23.7 million in 1977-78 to 29.2 million in 1987. These figures imply an average annual growth of total employment in manufacturing at around 2 per cent a year since 1961.28 The additions to employment in the non-factory sector were larger than in factory sector. The data from the NSS suggests a considerable quickening in the growth of non-factory employment accompanied by a marked slowing down in factory sector. Between 1977 and 1987 the former is estimated to have risen from 17.4 million to 21.4 million or close to 2 per cent a year compared to barely 1 per cent a year in the previous two decades, while factory employment growth slowed down

26 See Section 2 (g) and Section 7 (1) (a) (iii) and (1) (b) (iii) of the Act.
27 Supra n. 23 at 205.
28 Ibid. at 206.
from around 3 per cent a year during 1961-81 to 2 per cent or so a year during 1977-87.\textsuperscript{29} Nearly three-fourths of the additions to industrial employment during this period thus came from non-factory industry. Employment in household industry as a whole has declined by 2.2 million between 1961 and 1981.\textsuperscript{30} Eleven out of the 17 major industrial groups (as per the National Industrial Classification) recorded a fall of nearly 3.5 million household industry employment by far the biggest decline being in textiles, and food processing.\textsuperscript{31} Between 1977 and 1987 also, industry groups where household industries dominate have continued to record relatively low growth in employment.

The fall in household sector employment in all these groups is concentrated in the traditional industries like non-mill spinning, handlooms, khadi, hand printing, grain milling, oil crushing, gur making, leather and leather footwear, chemical, pharmaceutical and earthenware. Substantial expansion of household industry activity has taken place in a few industry groups notably beverages and tobacco.

\textsuperscript{29} ibid. at 207.
\textsuperscript{30} ibid.
\textsuperscript{31} ibid.
and repair services.\textsuperscript{32} The decline of household enterprises in the traditional industries which seems to have continued in the eighties in part reflects a shift to non-household enterprises which have in most cases recorded significant increases, especially in urban areas. With the widening and integration of the markets, which is a generalized and ongoing process, a shift to superior forms of organization in urban locations was identified. But the expansion of non-household non-factory enterprises in traditional industries has been inadequate to compensate for the reduction in several segments of traditional industries notably food products, handlooms & leathers. Consequently overall employment in most segments of traditional manufacture has remained constant or declined in spite of wide ranging protective & positive interventions by the State.\textsuperscript{33}

In the case of Bidi & Leather products the policy of exempting output of non power using sector from excise duty has given a decisive advantage to the small enterprises. Most of the leather foot wear is now reported to be produced outside factories. This policy stimulated a rapid growth of employment in non factory Bidi units. But total

\textsuperscript{32} Ibid at 210.
\textsuperscript{33} Ibid.
employment in non factory leather foot wear industry has declined largely, it would seem, due to emergence of cheaper substitutes in the form of rubber & plastic foot wear without making much impact on total employment opportunities. Other traditional industries in agricultural processing, coir & earthenware are not much affected by protective measures; the positive promotional measures largely implemented through the Khadi & Village Industries Corporation have clearly not been successful in preventing a decline.34

In many other non-traditional industries also the decline in household industry is noticeable but this is more than offset by the expansion of employment in non household forms of small industry. The growth of total non factory employment in non traditional industries was indeed impressive both in terms of range of industries & of magnitude. By far the largest increase under repair services, 1.8 million additional workers or nearly 45% of the increment to employment outside the factory sector is accounted by non factory and non traditional industries.35 Textile products as a whole, with an increment of close to one million workers, was the other striking area.

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34 Ibid. at 211.
35 Ibid. at 212.
of expansion in small industry. Within textile sector, garments, carpets & embroidered products have added close to 1.2 million jobs while some (coir & manufacture of threads) had suffered an absolute decline. The other major area of expansion in small industry was in metals, metal products and machinery. Moderate increases in employment have also occurred in paper, chemicals, rubber and plastic products and non-metallic mineral products, notably brick making.36

It was found that the growth of small enterprises in non traditional industries was of different types. Firstly in industries like repairs, bricks, and other small scale production close to the market was economically more advantageous to the producers and demand had grown rapidly. Secondly, over a wide range of industries Small Scale Industry would appear to be manufacturing more or less similar products in a competitive market. But in point of fact the products of these two segments were often differentiated by quality, specifications, design, brand names and such other dimensions; also they cater to the demands of consumers who are highly differentiated in terms of

36 Ibid.
tastes, preferences, brands and incomes. Even casual observation showed that the market for commodities like textiles, garments, footwear, furniture, plastic goods and household equipment were indeed segmented by the quality and price with Small Scale Enterprises concentrating on lower quality/price segment. Therefore, the fate of traditional Small Scale Industry is as much a function of their efficiency as the changing character of the market shaped in part by the flood tide of new materials product and high styles. Thirdly, there was sub-contracting. Several large scale textile firms are known to get their cloth woven and/or processed in the decentralized sector; a number of durable consumer goods like air conditioners, fans, sewing machines and electronic equipment, carrying brand names associated with large companies are known to be fabricated in the small scale industry; & production of components and parts for machinery and transport equipment is quite widespread.

The share of rural areas in total employment in non-factory industry had declined sharply pointing to a tendency for greater concentration of small industry in urban areas. But if only the non

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37 Ibid. at 213.
38 Ibid.
household small industries, which was the more modern, better
organized and rapidly growing segment was considered, there had
been a shift in favour of rural areas.\textsuperscript{39} The extent of inter-state
variation in both total non-factory employment and non household,
non-factory employment as a proportion of total work force also seems
to have declined appreciably during this period. This would suggest a
greater spatial diffusion of small industry.\textsuperscript{40}

State intervention in favour of cottage and small industry had
been informed by two main concerns, namely:

(i) to prevent technological unemployment in
traditional industries;

(ii) promoting labour intensive techniques in
manufacturing as a means of generating
larger, more diffused employment in the
economy.\textsuperscript{41}

\textsuperscript{39} Ibid.

\textsuperscript{40} Ibid.

\textsuperscript{41} Ibid. at 216.
In reality the first objective had not been achieved; employment in most traditional industries had in fact declined. However there had been a significant net expansion of employment in Small Scale Industry as a whole with signs of it outstripping employment growth in large industry during the eighties. In view of this one may ask whether protection of traditional industry, on ground of employment, should continue to be a major concern of policy. The answer to this question would be in the negative in so far as workers engaged in traditional industry, who lose their employment due to competition from large industry, were able to benefit from the expansion of employment in other areas. Some of this was no doubt happening, example, Handloom weavers shifting to power looms and traditional potters shifting to brick making, but not on a sufficiently large scale. This was especially true of many handloom weavers and leather workers who were large in number and who were drawn mostly from socially disadvantaged lower castes. It had been suggested that a large mass of workers who were displaced, along with new entrants to the labour

\[\text{\textsuperscript{42 Ibid.}}\]
\[\text{\textsuperscript{43 Ibid.}}\]
power from these communities or who cannot find employment in these sectors, were forced into casual labour in agriculture.44

For a modern small scale unit on an average, an investment of about Rs 7000 is required for creating one work place while in a large scale sector unit the investment per work place is about 8 times of this amount.45 Another salient factor in favour of Small Scale Sector was its adaptability to rural and semi-urban environment where infrastructure was not developed. This special characteristic of the Small Scale Sector was being utilized for creation of gainful employment. The employment by Small Scale Sector had increased from 39.7 lakh in 1973-74 to 96 lakh in 1985-86 registering the rise of more than 60 per cent. The level of employment further increased by 5.8 per cent to 119.6 lakh people in 1989-90 from 113.0 lakh people in 1988-89.46 With regard to output employment ratio which was the lowest in the Small Scale Industry, employment generating capacity of this sector was eight times than that of the large scale sector.47

44 Ibid.
45 Supra n.6 at 100.
47 Ibid.
However, with an increasing trend of modernization of small enterprises, capital-labour ratio was rising. The fixed capital per employee in bigger units was 4.4 times higher than in Small Scale Industry units, the value added per unit of fixed capital was higher in Small Scale Industry units. The result of the Annual Survey of Industries (1981-82) supported the case of Small Scale Industry units both from the employment and output considerations point of view in a capital scarce country like ours.\textsuperscript{48}

The contribution of household enterprises in total employment generated was 52 per cent.\textsuperscript{49} More than one half of the total employment was generated in the household enterprises in India and hence Cottage Industries occupied significant place in a developing economy like ours.\textsuperscript{50}

In the Industrial Policy Resolutions of 1948 and 1956, Small Scale and Cottage Industries were given special role for creating additional employment with low capital investment. A new thrust was

\textsuperscript{48} ibid.
\textsuperscript{49} Ibid. at 102.
\textsuperscript{50} Ibid.
given also in favour of Small Scale Industry units by the industrial policy statements of 1977 as well as 1980.

The Industrial Policy Resolutions of 1948 had clearly stated that cottage and small scale industries had very important role in the national economy, offering as they do scope for individual village or co-operative enterprises and means for rehabilitation of displaced persons. These industries were particularly suited for the better utilization of local resources and for the achievement of local self sufficiency in respect of certain types of consumer goods.51

In the same manner Industrial Policy Resolution of 1956 once again stressed the role of Village and Small Scale Industries when it stated that they provided immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized.52

51 Ibid. at 77.
52 Ibid.
As seen from above it is very clear that the Small scale industry enterprises were labour-intensive and thus create more employment per unit of capital employed. It was also assumed that the low cost on overheads in such enterprises partly compensated for the otherwise high cost vis-à-vis large enterprises.

From the employment angle point of view, it was pointed out that these industries have certain peculiarities which make them eminently appropriate for India. Apart from the fact that these require a small amount of capital, these can be established everywhere and anywhere in the country. Besides, they can be set-up at the very doorstep of the workers, mostly living in villages. These workers can combine the work in agriculture with that in these industries. The work in these industries can be switched off and on as and when necessary. In this way, seasonal unemployment can be very greatly eliminated. Thus, work for the unemployed, more work for the under-employed and supplementary work for the seasonally unemployed can be made available mainly through the medium of these industries.\(^{53}\) It was considered to be great relevance for the country like India, where

under-employment, unemployment and seasonal unemployment are rampant on a mass scale and where capital to industrialize on a massive scale is in acute short supply. In such a labour abundant and capital scarce economy, it was argued that the way out was to go in for Small Scale and Cottage industries which were labour intensive and which require a very small amount of capital for every person employed.\textsuperscript{54}

While the employment out-put ratio was the lowest in the Small Scale Industries, employment –generating capacity was eight times that of the Large Scale sector. Another striking and significant feature was that the net capital – output ratios of the Small and Medium sectors work out to be 4 and 3.2 times that of the Large Scale sector in 1965, despite the low productivity of labour in the Small Scale industry.\textsuperscript{55}

It was stated that in view of the meagerness of capital resources there was no possibility in short run, for creating much employment through the factory industries. The household or cottage

\textsuperscript{54} ibid. at 78.
\textsuperscript{55} Supra n.6 at 79.
industries are the best option. They require very little capital. With any given investment, employment possibilities would be ten or fifteen times greater in comparison with corresponding factory industries.\textsuperscript{56}

In view of the fact that more than one half of the total employment was generated in the household enterprises and also in view of the fact that large scale enterprises do not hold out a promise to absorb the rapidly increasing labour force, there was an added case for providing support to Small Scale Industry and household enterprises.

According to the Annual Survey of Industries data for 1978-79, the fixed capital per employee was more than Rs 11 thousand for medium sized industries. As against this for Small Scale Industry it was around Rs 5 thousand. Within the Small Scale Industry the value added per employee and per unit of fixed capital in case of some categories of units, was somewhat higher than the average for the sector as a whole, and compares favourably with medium industries. For example, for units with fixed capital in the range of 7.5-10 lakhs,

\textsuperscript{56} Ibid.
the fixed capital per employee was less than Rs 11 thousand, and value added per employee was more than Rs 11 thousand. As against this in the medium industries where the fixed capital per employee is more than 11 thousand, the value-added per employee was less than Rs 11 thousand.\textsuperscript{57}

Outside the small factories covered by the Annual Survey of Industries, there were a vast number of unregistered productive units, belonging to the Small Scale Sector. The capital used in these establishments was likely to be very small, and employment provided was large.

For a country like ours, with limited financial resources and huge reservoir of human resources, Small Scale Industry is a means for solving the unemployment problem. That is why, in a developing economy like India the ability to provide new jobs with the present scarcity of capital is certainly a paramount consideration for small scale industry. It can be observed that the supply of skilled and educated labour force has failed to create its own demand. If a skilled

\textsuperscript{57} Ibid.
and educated worker is not able to realize the price of his labour power, his ability has only intrinsic value and not extrinsic value. His labour power, which is a commodity, peculiar though, has value but not exchange value till he is able to realize the price of it by putting his intensified labour power, i.e., skill to use. Hence in reality even employability is questionable and need to be addressed from wider perspective with the active state intervention in order to prevent the exploitation of this semi-literate and illiterate working population.

2.5. SMALL SCALE INDUSTRIES AND THE INDUSTRIAL RELATIONS – AN UNEQVOCAL EMPHASIS

From above discussion it is very clear that till certain point of time in the independent Indian history, the growth of the small scale industries in the country was towards increasing trend. This was mainly due to the fact that India was basically a country where huge amounts of working population hail from rural and semi-urban areas with unskilled background. Perhaps the Government of India with a view to ensure a measure of livelihood encouraged the growth of small and medium scale industries in the Country and at the same time concentrating sufficiently on the growth of organized large scale
industries in certain regions taking into consideration the availability of raw material and other factors.

Initially after the industrial revolution, the Indian industrial working class originated mostly from the nethermost stratum of the traditional village society with a heavy background of economic and social inequalities. The early migrants in urban India who joined in industrial avocation were not independent farmers but socially and economically disabled groups. They migrated to cities in search of employment during early period of two decades, i.e. 1872-81 and 1891-1901 under extremely difficult period of famine. In this context, as far as large scale industries are concerned the unskilled labour population was driven to the jobs through the middlemen, namely mugdams (contractors). As far as traditional small scale industries are concerned, they have largely entered by themselves. The history of Indian working class movement further indicate the struggles confronted by the industrial workers in taking the shelter under minimum labour welfare legislations regime through the State intervention till the date of independence. The resulting factor was the renaissance of the unorganized labour population in India who are totally kept away from the regime of minimum welfare legal protection.
In this context the enactment of Minimum Wages Act, 1948 and other sector specific labour legislations\textsuperscript{58} are identified, which have come into existence mainly to meet the welfare needs of the workers who are employed in non factory avocations. By and large with the impact of organized trade union movement, the factory jobs are confined initially to the workers who possessed certain requisite qualities of skill pushing the unskilled labour who have drawn from rural and semi urban areas to the employment opportunities in Small Scale Sector or in causal employment. It is unfortunate to note that though Government of India after independence laid special emphasis for the growth of Small Scale Sector by providing special privileges and opportunities only keeping in view the interest of the entrepreneurs by neglecting totally the hardships confronted by the labour force who are cheaply employed in the sector without any protective labour law regime. Whether the independent India made a diverse in this direction is the next issue before us.