A REVIEW OF LITERATURE

The importance of small scale industries in India and specially in West Bengal rests on the following grounds :-

(1) EMPLOYMENT GENERATION :

By using labour intensive techniques small scale industries can increase the scope for employment at least in the short run. According to T.S. Papula (1992) the rural non-farm sector accounting for about 22% of rural employment can play a crucial role in the further expansion of employment opportunities in the rural areas. Regarding the use of labour intensive technique the Human Development Report, 1994 says - "creating sufficient opportunities for productive employment and sustainable livelihoods is one of the most important and most difficult tasks in any society. Based on experience, the central element of an effective national employment strategy is likely to include :
Labour intensive technologies - Developing countries have to be able to make the most efficient use of their factors of production - and to exploit their comparative advantage of abundant labour, tax and price policies should be appropriate, try to encourage labour intensive employment". The Human Development Report also says - "The essence and test of sustainable human development strategies must be to ensure a sustainable livelihood for all. These strategies - especially at the national level - will thus have to focus on three core themes: poverty reduction, employment creation and social integration in short, participation."

According to Dr. Malcome S. Adiseshiah (1992), generation of productive employment is a key factor in combating poverty in the country, especially in rural areas. Village and small industries can perform a meaningful role in this direction.

The employment argument in favour of the small scale industries has not been accepted by P.N. Dhar and H. F. Lydall(1961). According to them, capital requirement per unit of output is more in case of small scale industries than large scale industries because generally in small scale production takes place in one shift and in large scale production takes place in more than one shifts.
But this argument regarding capital intensity of small scale industries can not always be accepted. Modern small scale industries may be capital intensive but the traditional small scale or village industries which use indigenous technology have greater labour absorption capacity. So in a developing economy small scale industries can play an important role to solve the acute problem of unemployment.

ii) **EQUITABLE DISTRIBUTION OF NATIONAL INCOME** :-

Small Scale Industries are likely to help in equitable distribution of national income because the ownership of small scale industries will possibly be more widespread than the ownership of large scale industries. Also they very often possess a much larger employment potential as compared to the large industries. Thus both in terms of ownership and in terms of employment, small scale industries are expected to serve a much larger section of the society as compared to large scale industries.

According to the Dhar and Lydall (1961), workers in small scale and village industries are unorganised and can not fight for their rights. As such wages paid to them are much less than the wages paid to workers in
large industries. For this small scale industries cannot be supported on the ground of equitable distribution of national income. But this argument is not tenable because small scale industries can employ many more people compared to large scale industries though at a lower wage and this will go some way towards equitable distribution of income in a poor labour surplus economy.

iii) DEVELOPMENT OF ENTREPRENEURSHIP AND MOBILISATION OF PEOPLES' SAVINGS INTO PRODUCTIVE USES :

For the development of a country effective mobilisation of capital and skill is required. A small scale unit requires less initial investment of capital and in this way it can productively use even small amount of savings of people. Due to lack of facilities small artisans suffer from unemployment and starvation. Development of small scale industries can bring about effective mobilisation of these talents.

According to Dr. C. Laxminarayan and D. Sakriya (1994), small sector has enabled men with qualities of initiative, vision and leadership to become successful managers. It acts as a channel through which talented and motivated individuals can play a dynamic role.
In this regard the small sector is usually described as a seed-bed or nursery of entrepreneurs and managerial talent. Moreover, the small sector is better placed in tapping the private financial resources of the entrepreneurs. The credit for channeling these resources into productive areas goes to the small industry sector and as such the role of small industry can never be undermined.

Small scale industries mobilises peoples' savings into productive use. In the absence of small scale industries these savings would have possibly been used for activities like trading and speculative activity in the share market. According to Arun Kumar (1993), many Indian industries have been facing loss of markets, are unable to compete globally and are facing an uncertain investment climate in India. Many of them increasingly turn to trading and speculative activity in the share market. A large portion of money raised from Indian capital markets was used for speculations and trading. If this money had gone to set up new plants recession in the capital goods sector would have ended and imports would have boomed. This does not mean, however, that trade should be completely neglected.
(iv) BALANCED REGIONAL DEVELOPMENT:

Small scale industries can easily be decentralised and they can spread in the backward areas where large units are unlikely to be established. In this way small scale industries can play an important role in the matter of balanced regional development. Small scale industries generally have strong backward and forward linkages with other sectors of the economy and owing to this with the establishment of the small scale industries the backward areas tend to develop.

Regarding the linkage effect of rural industries Pramod Pathak (1993), has said that in the existing schemes of backward area development machinery and raw materials come from outside, the products are sent to urban markets, and the managers, technicians, supervisors and skilled labourers are all from outside, making little or no impact on the life of the local people. The emphasis should have been on the use of local resources and local markets thus making the approach integrated and holistic: Integrated in the sense that development of both people and the area should be the aim and holistic in the sense that the advantage of development should spill over the places adjoining the target area so that the island of affluence are not created and developed.
Regarding the linkage effect of rural industries, Promod Pathak (1993) has also said that rural industrialisation should be looked upon as a means of development which would bring about increased integration between urban and rural areas rather than being merely an instrument of developing rural areas without any deliberate efforts to link it up with the overall process of modern industrialisation.

Regarding the linkage effect specifically of small scale industries in India, C. S. Prasad (1994), has said that a shift is needed from the approach of large versus small to strong linkages between large and small; wherever feasible, large industries should use small units and the mother unit should look after issues like policy, planning, R & D, marketing, etc. In other words, they should work as large Trading Houses. This might involve vacating some items of production voluntarily in favour of small and artisan-oriented units.

(v) MEANS OF SUBSIDIARY OCCUPATION:

In India, over the planning period share of the agricultural sector in total national income has decreased at a higher rate compared to the rate of decrease of the number of
polulation dependent on agriculture. For this per capita income of people dependent on agriculture remains low. In this situation small scale industries can help them by providing subsidiary occupation. Emerging as a source of subsidiary occupation small scale units can reduce the excessive pressure on land. In this way the disguisedly unemployed people in the agricultural sector can get productive employment in the small scale sector.

But this role of small scale industry as means of subsidiary occupation can not be realized if the problem of sickness of the small scale sector becomes acute. Increasing sickness in the small scale sector of India is a matter of serious concern. R.B.I. data shows that the percentage of sick units has increased from 5.6% in December, 1982 to 9.2% in December, 1997.

(vi) QUICK DEVELOPMENT:

Quick development is an urgent need of an over-populated underdeveloped economy to solve the problem of growing unemployment and to check the inflationary tendency arising, inter alia, from the lack of availability of essential consumer goods in sufficient quantities. Sufficient and quick production of consumer goods are also required to channelize the extra purchasing power of the consumers created during the
planning period from other economic activities mainly by the government. Small scale industries can start production quickly as the gestation period is pretty short. Professor Mahalanabis in his Second Five Year Plan model emphasised on this role of small scale industries. Mahalanabis was aware that his strategy of heavy industrialisation and development of capital goods industries could accentuate the problem of unemployment and inflation in India. To solve these problems development of small scale industries was urgently required because of their inherent advantage of quick development.

But tendency towards increasing capital intensity of the modern small scale industries runs counter to this objective. According to Sandesara (1969) small scale industries, for a given level of investment, neither generate more employment nor produce more output than compared to large units. According to B.V. Mehta (1969) output capital ratio falls with increase in size and capital labour ratio increases with the increase in size. Increase in the fixed investment limit is one important feature of the policy regarding small scale industries of Government of India and this is partly responsible for the underdevelopment of small scale industrial sector in India.
Alleivation of the Balance of Payment Problem

Import requirement of the small scale industries is low as they mostly depend on local resources. So small scale industries can alleviate India's balance of payment problem by lowering import and increasing export. In this regard, C.S. Prosad (1994) has reminded us that the share of small scale industries' sector in total exports of India has gone up from 24.5% in 1980-1981 to 32% in 1991-1992.

But this excessive export orientation contradicts the objective of meeting local demand by small scale industries. Small Scale industries can meet the demand of local poor through supply of low priced traditional products which are not generally produced by medium and large scale industries. These people will be deprived if small scale industries are increasingly dependent on exports. Generally capital intensity of the export oriented industries increases overtime and so this contradicts the objective of employment expansion through small scale industries. Besides, foreign demand is very much unstable and this unstable foreign demand can create economic problems for the small scale industries whose financial base are generally not much strong.
According to A.P. Thirlwall (1989) both push and pull factors are responsible for migration. "The push factors have to do with the limited job opportunities in the rural areas, and the greater willingness and desire to move fostered by education and improvements in communications. The pull factors relate to the development of industrial activities in the towns offering jobs at a higher real wage than can be earned in rural areas, so that even if a migrant is unemployed for part of the year, he may still be better off migrating to the town than working in the rural sector. The uniqueness of the present situation is not the migration itself but its magnitude and speed."

This migration problem can be mitigated to some extent, if not solved, through the establishment of small scale industries in the rural areas. In this regard Pathak (1993) has pointed out that "the concept of backward area development was formulated to provide for spatial diversification of industries so that the industrially developed centres do not become islands of affluence attracting large number of migrants from far and near and thus becoming thickly populated townships of unmanageable proportions, for which the entire socio-economic and cultural fabric could possibly collapse with uncontrollable problems of housing, slum dwelling, sanitation, pollution, communication and law and order, rendering the entire development exercise ineffective."
EFFICIENT UTILISATION OF PRODUCTIVE RESOURCES:

There is a prolonged debate over the efficiency of the large scale versus small scale industries. According to Dhar and Lydall (1964) modern small scale industries are fairly capital intensive i.e. they often do not generate more employment per unit of capital than large scale industries.

Hazra (1965) has used the census of manufacturing industries (CMI) data for 17 industries for the period 1955 - 1958 and has reached the following two conclusions.

i) Both labour productivity and capital productivity are low in small scale industries.

ii) Ratio of material cost to value added is high in the small scale industries.

Sandesara (1981) has used CMI data for 28 industries for the period 1955 - 1958 and concluded that for a given volume of investment small scale industries neither generate more employment nor produce more output compared to large scale units.

Biswanath Goldar (1988) has compared the technical efficiency of small scale industries with that of large scale industries for the year 1976 - 1977. For this he has
collected data for 37 industries. He has found that the small scale industries as compared to the large scale industries generally have low labour productivity, high capital productivity, low capital intensity and low total factor productivity.

Goldar has also inferred that the modern small scale sector is inefficient relative to the large sector in a large number of industries. He has also found that the relative efficiency of the small scale industries varies directly with capital intensity, so that the small scale industries can not be relied upon as a source of efficient employment generation.

Ramsinh K. Asher (1987) used data presented in Annual Survey of industries for 1960, 1963, 1964 and 1965 and showed that small scale sector is more efficient. His study showed that the small-scale factory combined the largest number of workers with a rupee’s worth of fixed capital; that a rupee worth of fixed assets produced almost seven times output in small as compared to large industries and that the value added by a rupee’s worth of fixed investment in small factories was at least three times as large as that for a large factory.
According to two all India sample surveys of small scale industries one conducted by the RBI in 1976-77 and the other by the National Small Industries Corporation (NSIC) in 1979, smaller units use capital more efficiently and the profitability of the small scale industries is greater than the profitability of the large-scale industries.

According to the RBI survey of 1976-77 small scale industries generate more profit compared to large scale industries because profit retained as percent of profit after tax was 43.72 in small scale industry whereas it was 34.90 in the corporate sector. Profit after tax as percent of net worth was 21.05 for the small scale industry whereas it was only 7.90 for the corporate sector.

According to R. N. Nagaraj (1985) the reason for the relatively higher profitability in small scale industry seems to be the lower wage and greater exploitation of labour on the one hand and fiscal concession on the other.

Thus we can see that there is a great deal of controversy over the relative efficiency of the small scale industries compared to the large sector industries. But as India is a
labour surplus economy and small sector usually has high employment potential it may be worthwhile to try to tackle the problem of unemployment by promoting extensively at least some selected small scale industries.

Conclusion:

Thus in conclusion we can say that small scale industries can possibly play an important role for the development of a late developing country like India. It can mitigate to some extent the problems like unemployment, migration and deficit in the balance of payment of the country. Small scale industries are also likely to help in the development of entrepreneurship, mobilisation of peoples' savings into productive uses, equitable distribution of national income, and providing subsidiary employment opportunities to rural people. Small scale industries also have backward and forward linkages with other sectors of the economy and owing to this the whole economy is likely to develop, pari passu, with the proliferation and extension of small scale industries in the countryside all over the country.
Definitions of small scale industries vary from country to country. Some important criteria for defining small scale industries are - (i) number of people employed (ii) amount of capital invested, (iii) value of annual turnover (iv) character of management and organisation.

In the U.S.A. a firm is said to be small for Government procurement purpose if it is not dominant in its field of operation and has less than 500 employees or if it is certified as small by Small Business Administration. But in case of financial assistance the number of employees considered is less than 250. As there is emphasis only on employment, this is not a broad definition of small scale industries.

Such a distinction between small scale and large scale industries is not found in the United Kingdom, although the term small industries refers to those employing less than 500 workers. This definition also is too narrow, as only employment is considered.
A more scientific definition of small scale industries is followed in a few countries like Hongkong, Japan etc. The definition is based on two important criteria - (i) investment in fixed assets and (ii) number of employees. However in Japan definition of small scale industry varies according to the type of enterprise, a few of which may be referred to here:

(A) According to the Law of Formation of Small and Medium Business organisation enforced in April, 1958, a small or medium scale industry is one with regular employees of 300 or less for the manufacturing, mining, transportation and other industries, 30 or less for the wholesale and retail traders and other service industries with certain exceptions. In this definition only the criterion of employment has been considered.

(B) According to the Small and Medium Enterprise Finance Corporation Law and Small and Medium Enterprise Credit Insurance Law, a small or medium industry is largely one with a capital of 10 million yens and less if it is an incorporated concern, or one with regular employees of 300 or less (30 or less for commercial servicing industries and 1000 or less for mining) for both in incorporated and unincorporated concerns. In this definition either capital or employment or both capital and employment have been considered.

C) Difference has also been made in Japan between small and petty enterprises. Petty enterprises are those with less than 20 workers (in manufacturing) and 5 in commercial and servicing units.

Definition of small scale industries in China differs from U.S.A, U.K. and Japan. Small industry in China has been defined on the basis of volume/number of units of the commodity produced.
The definition of a small scale establishment forms a very important aspect of Government policy. There is controversy regarding what should be the proper basis of defining a small scale industry. In the early days, small scale industry was defined on the basis of total investment and number of employees. That has now been replaced by only the criterion of investment in plant and machinery. This is because asset (land, building) costs fluctuate very widely and so it is in-practicable to take them into account. However employment aspect is also left out in the current definition because the number of employees can vary widely.

Prior to 1975, the village and small industries sector covered undertakings having investment in fixed assets, in plant and machinery not exceeding Rs.7.5 Lakhs; in the case of ancillary units the limit was Rs. 10 Lakh. In 1975 the limit was raised to Rs. 10 Lakh for small scale units and Rs. 15 Lakhs for ancillary units. In 1980 these limits were further raised to Rs. 20 Lakhs and Rs. 25. Lakhs respectively and in 1985 to Rs. 35 lakhs and Rs. 45 Lakhs respectively. The investment limit was raised further to Rs. 60 Lakhs for small scale units and Rs. 75 Lakhs for ancillary units in April, 1991. In addition, a tiny sector had been added to the group. This included units having investment limit of less than Rs. 5 Lakhs (Prior to August, 1991 the limit was Rs. 2 Lakhs.)
At the time of defining small scale industries a problem may arise regarding the distinction between small scale and cottage industries. In this regard, the First Five year plan clearly specifies as follows:

(i) While small scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas.

(ii) While small scale industries produce goods with partially or wholly mechanical equipment employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of members of the family. Fiscal commission in 1950 said that a cottage industry was one which was carried on wholly or primarily with the help of the members of family. A small scale industry on the other hand is one which is operated mainly with hired labour, usually 10 to 50 hands. In the Industries Development and regulation Act, 1951 the industrial units employing less than 50 workers with power and less than 100 workers without power were exempted from registration. These exempted sectors may be identified as small scale sectors.
Section - IV SCOPE AND METHODOLOGY OF THE PRESENT WORK.

In this paper we intend to assess the role of small scale industries in the economic development of west Bengal and the effect of new Liberalisation policy of 1991 on the growth of small scale industries in West Bengal. For our analysis we have chosen the time period 1980 - 81 to 1990 - 91.

For our study we have chosen West Bengal because in West Bengal the unemployment rate is higher than the all India average in respect of both Usual status and Daily status concepts of unemployment. According to the planning Commission study of 1987-88 the states having higher than all India average of unemployment rate in terms of usual status are Kerala, West Bengal, Haryana, Assam, Tamil nadu, Orissa, Punjab and Andhra Pradesh and the states having higher than all India average in respect of Daily status are Kerala, Tamil Nadu, West Bengal, Haryana, Andhra Pradesh and Orissa. Thus, as unemployment is a major problem of West Bengal small scale industries have a special role to play here to solve the problem.

In our analysis we have considered the time period 1980-81 to 1990-91 because during that period West Bengal had faced the problem of de-industrialisation. We have considered that period to find out the problems faced by the small scale industries of West Bengal and we have also analysed the 1991 liberalisation policy from that angle i.e. how much they are likely to be effective to solve the problems faced by the small scale industries of West Bengal. To analyse the phenomenon of de-indstrilisation we have calculated the linear trend rate of growth of both registered and unregistered industry's share as percentages of West Bengal's State Domestic Product during the period 1980-81 to1990-91. To calculate
The linear trend rate of growth we have used the regression model \( Y = a + bt \) where \( Y \) is the growing variable, \( t \) is the time period and \( b \) is the linear trend rate of growth.

After locating the de-industrialisation era of West Bengal we have tried to find out the reasons behind de-industrialisation of West Bengal during that period. To find out the reasons behind de-industrialisation of West Bengal we have studied the changes in the important economic variables like state's share in total (central) plan outlay, bank offices per lakh population, deposits and advances of commercial banks, credit deposit ratios of public sector banks, non-bank central financial assistance, state's share in the assistance given by all India financial institutions, number of industrial licenses issued and number of letters of intent issued during that period.

Next, we have tried to find out the impact of deindustrialisation on the economy of West Bengal. For that we have studied the growth of percentage share of West Bengal in the total value of industrial output in India during that period and also we have studied the employment situation of West Bengal during that period.

Next we have tried to present an overview of the small scale industries of West Bengal. For that we have collected data on number of units, employment, fixed investment, investment in plant and machinery, working capital, productive capital, production, capacity utilisation, inputs used, Gross Value Added and Net Value Added of the small scale industries of West Bengal districtwise, industrywise and fixed investment slab wise.
We have also collected data on exports by the small scale industries of West Bengal and district wise distribution of small scale units in West Bengal in the rural, urban, backward and non-backward areas.

Next we have tried to compare the performance of the small scale industries of West Bengal with that of the other states of India. To do that we have constructed the figures like per unit employment, wage share as percentage of net value added, self employed as percentage of total employment, wages per employee, net value added per employee, net value added per fixed investment, capacity utilisation percentage and closed as a percentage of total units of the small scale industries of West Bengal and compared the figures for West Bengal with similar figures for other states of India.

Up to this part of our work we have used the 2nd All India census of registered small scale industries (1988) for our analysis. Thereafter to get a clearer idea about the performance of the small scale industries of West Bengal we have tried to present an overtime analysis (1980-81 - 1990-91) of the small scale industries of West Bengal. To do that we have used the A.S.I. data. To locate the small scale industries from the A.S.I. data we have used the Indian definitions of small scale industries of 1980 and 1985 in terms of "fixed capital investment in a unit". We have applied the criterion of 1980 on A.S.I. data of 1980-81 and found out the average fixed investment for every group of industries in West Bengal. Similarly we have applied the criteria of 1985 on A.S.I. data of 1985-86 and found out the
average fixed investment for every group of industries in West Bengal. Now the
industry groups for which the average fixed investment level is lower than the
prescribed fixed investment levels of Rs. 20 lakhs in 1980 and Rs. 35 Lakhs in
1985 can be taken as being comprised largely of small scale industries. Now for
the purpose of our study we have calculated the trend rate of growth of employ­
ment, trend rate of growth of capital, trend rate of growth of firms, trend rate of
growth of profits, trend rate of growth of labour cost and trend rate of growth of
material input cost of the small scale industries of west Bengal during the time
period 1980-81 to 1990-91. To calculate the trend rate of growth of capital we
have prepared the index of capital at the constant price of 1980-81. To do that
capital price has been deflated by increase in the price of machinery goods.

We have also tried to estimate the total factor productivity growth for every
group of small scale industries of West Bengal. To do that first of all We have
computed the Slow, Kendrick and CES index of total factor productivity during the
time period 1980-81 to 1990-91 for every group of small scale industries of West­
Bengal and then we have calculated the linear trend rate of growth of each produc­
tivity index for every group of small scale industries of West Bengal during the
time period 1980-81 to 1990-91. Solow, Kendrick and CES indices of total factor
productivity have been computed in the following way.

Solow index.

Solow index has been estimated on the basis of Cobb Douglas production
function of the form \( \log \left\{ \frac{V}{L} \right\} = \log A(t) + \beta \log \left\{ \frac{K}{L} \right\} \)
where \( A(t) \) gives the solow index of total factor productivity.

\( \frac{V}{L} = \) Gross value added per labour. Here Gross value added per
labour has been deflated by whole sale price index of the concerned industrial prod­
uct to get gross value added per labour at constant price of 1980-81.
\[
\frac{K}{L} = \text{Capital labour ratio where capital price has been deflated by increase in the price of machinery to get value of capital at constant price of 1980-81.}
\]

**Kendrick Index:**

Kendrick measure of total factor productivity is based on a linear production function of the form: \( V = \alpha L + \beta K \)

Now assuming perfect competition in the factor and commodity markets, Kendrick index is

\[
I_t = \frac{V_t}{WoLt + rKt}
\]

Where \( V_t \) = Gross value added of the concerned industry at constant price of 1980-81 at the period \( t \).

\( L_t \) = Labour employment at the \( t \) period in the concerned industry.

\( K_t \) = Value of capital at the constant price of 1990-81 in the concerned industry at period \( t \).
Wo & ro = Wage rate and rate of interest at the period 1980-81 of the concerned industry:

Here: \( r_o = \frac{V_o - W_o L_o}{K_o} \)

Where \( V_o, W_o, L_o, K_o \) are gross value added, wage rate, labour employment and value of capital respectively of the concerned industry in 1980-81.

**C.E.S. Index:**

The constant elasticity of substitution production function is used to derive the CES index of total factor productivity.

The production function is taken in the form:

\[
v = \gamma \delta K^{-\rho} + (1 - \delta) L^{-\rho} = \frac{1}{\rho} , \quad \rho > -1
\]

Where \( \gamma, \delta \) and \( \rho \) are the efficiency, distribution and substitution parameters respectively with \( \rho = \frac{1}{\delta} - 1 \)

\( \delta \) being the elasticity of substitution.

Now C.E.S. index is estimated as follows:

\[
\frac{dV}{dL} \frac{dV}{dK} = ( (1 - \delta / \delta ) ( K / L)^{\rho} + 1 = ( 1 - \delta / \delta ) ( K / L) \frac{1}{\delta}
\]
The ratio of marginal products, under the assumption of perfect competition will be equal to the factor price ratio \((W/r)\). Hence taking the log transformation of the above relation we get:

\[
\log \left( \frac{W}{r} \right) = \log \left( \frac{(1-S)}{S} \right) + \frac{1}{6} \log \left( \frac{K}{L} \right)
\]

\(W=\) real wage rate at constant price of 1980 - 81. To obtain that money wage rate has been deflated by consumer price index of industrial workers of West Bengal.

\(r=\) real rate of interest at the constant price of 1980-81. \(r = \frac{(V- WL)}{K}\)

\(v=\) Gross value added at the constant price of 1980 - 81.

\(w=\) Real wage rate at the constant price of 1980-81.

\(L=\) Labour employment.

\(k=\) Value of Capital at the constant price of 1980 -81.
Now from the equation \( \log \left( \frac{w}{r} \right) = \log \left( \frac{(i - \delta)}{\delta} \right) + \frac{1}{6} \log \left( \frac{K}{L} \right) \) \( \delta \) and \( \rho \) have been estimated. Substituting these values in the production function we get C.E.S. Index of total factor productivity \( \gamma \) (t).

Except these we have also tried to examine whether labourers in the small scale industries of West Bengal are productive or not. To do that we have built up an econometric model of the form:

\[
\log \left( \frac{V}{L} \right) = \alpha + \beta \log W
\]

Where \( \frac{V}{L} = \) Value added per labour at constant price of 1980-81.

\( W = \) Real wage rate at the constant price of 1980-81.

We have estimated \( \beta \) and let the value be \( \hat{\beta} \). If \( \hat{\beta} > 1 \) then labourers create more value compared to their earning and so labour is productive and if \( \hat{\beta} < 1 \) then labourers create less value compared to their earnings and so labour is unproductive.
We have also tried to find out the reason behind the existence of excess capacity in small scale industrial production of West Bengal. To do that we have fitted a regression equation of industry level GVA on capacity utilisation and judged whether capacity utilisation plays a significant role in the matter of generation of value added or not.

After analysing the performance of the small scale industries of West Bengal we have located the problems faced by the small scale industries of West Bengal. Then we have tried to make a critical analysis of the new economic policy package undertaken by the Govt. of India since 1991 i.e. how much this can be effective in solving the problems faced by the small scale industries of West Bengal. After doing that we have tried to analyse the special measures undertaken by the Left Front Govt. of West Bengal to solve the problems of the small scale Industries of West Bengal. Finally before concluding our thesis we have tried to prescribe some policies to solve the problems faced by the small scale industries of West Bengal and we have also tried to build up a model of mutual interdependence between small and large industries.

The whole work has been characterised in the following way. There are three sections of the second chapter and these are
(i) Industrial scenario in West Bengal Vis-a-Vis all India scenario,
(ii) De-industrialisation in West Bengal—An analysis.
(iii) Impact of de-industrialisation on the economy of West Bengal.

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Third chapter consists of two sections which are as follows:

(i) An overview of the small scale industries of West Bengal.

(ii) West Bengal's small scale industries as compared to the small-scale industries of India.

In the fourth chapter we have described in details the problems faced by the small scale industries of West Bengal. The fifth chapter has two sections which are as follows:

(i) A critical analysis of the impact on small scale industries of West Bengal of the new economic policy package undertaken by Govt. of India since 1991.

(ii) An analysis of the special measures undertaken by the Left Front Government of West Bengal in respect of small scale industries of West Bengal.

In the sixth chapter we have presented a theoretical model of mutual interdependence between small and large industries. In the seventh chapter we have presented our policy prescriptions and the summary of the whole work.