

GROWTH AND DEVELOPMENT OF SMALL-SCALE INDUSTRIES IN BIHAR

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ABSTRACT

The industrial policy statement of 1985 also accorded importance to the small-scale sector and made some suitable policy changes. The definition of small-scale unit was revised to include all manufacturing units having investment in plant and machinery up to Rs. 35 lakh.

Economic growth cannot be the only objective for national planning and indeed, over the years, development objectives are being defined not just in terms of increases in GDP or per capita income. The tenth plan must set suitable targets in significant progress towards improvement in the quality of life of all people.

Rural industries needed special institutional support. For this purpose during early 1950s, the Government constituted six specialized Boards entrusted with the responsibility of initiating development strategy in their particular sector. These specialized boards were the all India Handloom Board, the All India Handicrafts Board, the Khadi and Village Industries Board, the Silk Board, the Coir Board and the small Industries Development Board.

The corporate form of business management and control by professionals gained ground steadily after the passage of the Companies Act, 1956.

KEYWORDS: *Industrial Policy, Government Policy, Growth and Development*

INTRODUCTION

Since independence, the Government of India, realizing the socio-economic significance of the role of small-scale industries, has initiated several positive measures for their development. The industrial policy pronouncements, the progressive allocations made in the Five-Year Plans, the creation of different promoting and supporting organizations and the nationalization of commercial banks reflect the spirit and effort of the Government towards the creation of a favorable climate for the growth and working of small-scale industries.

That the small industries have a specific role to play was underlined by the Industrial Policy Resolution of 1948, which stated that cottage, and small-scale industries are particularly suited for the better utilization of local resources and for the achievement of local self-sufficiency in respect of certain types of essential goods. After the formulation of the First Five Year Plan, the Planning Commission with Professor D.G. Karve as Chairman appointed a Committee. The Committee recommended that any development Programme for small industries should be decentralized, should aim at gradual improvement in techniques without reducing job opportunities, should assure marketing through co-operatives, and aim at providing promotional support rather than enforce protection or reservation.

The government announced its Second Industrial Policy in 1956, which replaced the industrial policy resolution of 1948. This industrial policy statement explicitly made it clear that "Small scale industries provide immediate large scale employment, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized."

MODERN SMALL SCALE MANUFACTURING ENTERPRISES

These firms, by their very nature, are located in large towns in order to take advantage of external production economies; they use hired labor and raw materials supplied by large scale enterprises located at a long distance. Their market is dispersed in a region or throughout the country. Sometimes they operate in export markets.

INTERMEDIATE GROUPS OF SMALL ENTERPRISES

These firms "use more or less traditional techniques to produce more or less modern products." The orientation of these enterprises is towards urban areas, rather than villages, as they have to procure their raw materials from towns, which also provide markets for the finished products. They provide immediate large-scale employment and have a shorter gestation period and relatively smaller markets.

The Janata Government gave a fitting "place to the small-scale sector through the New Industrial Policy 1977. This policy puts it thus: The emphasis has so far been on large industries, neglecting cottage industries totally and giving small industries the minimum importance. It is the firm policy of this Government to change this approach. The main thrust of the new industrial policy will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.

The industrial policy statement of 1985 also accorded importance to the small-scale sector and made some suitable policy changes. The definition of small-scale unit was revised to include all manufacturing units having investment in plant and machinery up to Rs. 35 lakh. In the case of ancillary units, the investment ceiling was revised Rs. 45 lakh. More recently, the definition was relaxed to include service-oriented industries and the Government increased the list of industries reserved for exclusive development in the small-scale industrial sector and the items reserved for purchase from it.

Prof. K.T. Sash was the first Indian economist, who realizing the importance of Small scale industries in India, tried to give a workable definition of these industries. He defined " A small scale or cottage industry may be defined as an enterprise or series of operations carried on by a workman skilled in the craft on his responsibility, the finished product of which, he markets himself. He works in his home with his own tools and materials and provides his own labour or at most the labour of such members of his family, as are able to assist. These workers work mostly by hand labour and personal skill, with little or no aid from modern power driven machinery, and in accordance with traditional technique. Such supplementary energy as is provided by animal power may add to the economy and efficiency of the industry.

The Second Five Year Plan gave top priority to industries both large and small. So taking the advantage of the situation the Government of Bihar took cabinet decision for establishment of the Bihar State Small Industries Corporation Limited which was incorporated on the 24th October, 1961 as a private limited company under the Indian Companies Act, 1956. The actual business operations of this corporation commenced on 1st February, 1962 when management and control of forty three departmentally managed schemes were transferred by the Government of Bihar to this corporation. Twenty-three more schemes were also transferred to the corporation on subsequent dates during 1962-63., 1963-64, 65.

Hence the establishment of this corporation took place during the Second Five Year Plan, through a decision in Bihar cabinet when the Government had given much emphasis for the development of industries on regional basis.

At the dawn of independence, India was beset with an appalling state of the economy, poor infrastructure, lack of funds, scarcity of food and social tensions arising out of the division of the country into India and Pakistan. The first government under the leadership of Pundit Jawaharlal Nehru inherited the Philosophy of Mahatma Gandhi and was for fostering cottage industries and the use of traditional skills as a means of attaining a self-reliant rural structure. Village and cottage industries have remained close to the hearts of our policy makers since then.

The Small Scale Sector has been assigned pride of place in the country's industrial development programme due to the following reasons:

- A given amount of capital invested in a small-scale unit provides more employment than the same amount in a large undertaking. This is very important, particularly in a country like India where there is surplus work force.
- Small-scale industries provide employment without adversely affecting the prime occupation, namely agriculture. The illiterate masses can undertake work during the off-season in these industries.
- India is short in two important factors of production, namely
 - Capital
 - Technical and managerial skill. Small-scale industrial economies contribute to capital formation and act as a nursery to raise managerial skill.
- Small-scale industries mobilize untapped resources of capital and rural skill that may otherwise remain unutilized in this vast country. Large-scale industries as they cluster around cities cannot attract these resources.
- Unlike large-scale industries, small-scale industries need relatively shorter gestation periods.
- Small scale industries are less dependent on imported machinery and raw materials.
- Small-scale industries help dispersal of economic power and thus ensure balanced economic growth in the country.
- Small-scale industries help to meet a substantial part of increased demand for consumer goods and simple producer goods.
- The creation of a network of small-scale units opens up more sources of supply and demand opportunities for large-scale industries and imparts strength and viability to the industrial sector.
- Small-scale industries also can develop handicrafts and promote aesthetic values.

For the above reasons, the small-scale sector and its development in a developing country like India is essential.

Economic growth cannot be the only objective for national planning and indeed, over the years, development objectives are being defined not just in terms of increases in GDP or per capita income. The tenth plan must set suitable targets in significant progress towards improvement in the quality of life of all people. This policy also included efforts to be made to a fashion rural communities as more of less self-contained in consumer needs, employment and basic amenities.

Although the small-scale sector has been recognized as an important element in the industrial economy of our country, there has so far been no statutory recognition of this fact. There have been repeated demands from the small-scale industries association that a more comprehensive legislation should be passed with a view to implementing the development Programme.

INSTITUTIONAL SUPPORTS

Rural industries needed special institutional support. For this purpose during early 1950s, the Government constituted six specialized Boards entrusted with the responsibility of initiating development strategy in their particular sector. These specialized boards were the All India Handloom Board, the All India Handicrafts Board, the Khadi and Village Industries Board, the Silk Board, the Coir Board and the small Industries Development Board. The Khadi and village Industries Board was later upgraded into a commission and the scope of its activities was considerably expanded. In 1955, the small scale Industries Development Organization (S.I.D.O.) was also set up in the Ministry of Commerce for providing comprehensive institutional support for technological and general development of small industries.

CONTOURS OF MANAGING AGENCY SYSTEM

The Managing Agency System which flourished in India in the pre-independence period continued till its abolition in 1970. The managing agency firms were mainly set up by the British merchants who had earlier established trading firms and then acted as promoters in several industries on the strength of their financial resources and business experience.

GROWTH OF CORPORATE SECTOR

The corporate form of business management and control by professionals gained ground steadily after the passage of the Companies Act, 1956. The number of Government companies increased by about four-fold from 74 as at the end of March 1957 to 282 as at end-March 1970 and their paid-up capital increased by about twenty-five times from about Rs. 73 crore to Rs. 1,791 crore over the same period.

FRAMEWORK FOR INDUSTRIAL FINANCE AND COST OF CREDIT

For achieving widespread and rapid industrial development in the post-independence period and to tackle the problem of capital scarcity, it was considered necessary to set up specialized financial institutions for meeting the medium and long term financial requirements of the industry both for rehabilitation and modernization of existing industries and for setting up new industries.

CONCLUSIONS

The basic problem relating to rural development in India in general and Bihar in particular, are primarily concerned with the provision of employment to the huge rural population which depends upon inadequate land-base for its livelihood. Major portion of the population comes under the category of small and marginal farmers and agricultural labourer who are not getting even such income that can be helpful in providing a live able condition to them. Therefore, the need is to create additional employment opportunities in the rural areas and here the significance of village and cottage industries seems to be immense.

The main thrust of the industrial policies in Bihar has been on effective promotion of small and village industries widely dispersed in rural areas and small towns. Apart from the various other advantages of these industries ecological human and economic the most important advantage is their great potentiality for generating employment. The study reveals that the small scale industries have though been established to a great extent, but they have in more cases, urban or semi-urban orientation.

Thus, the study reveals the fact that the problem of rural development can be solved only by promoting the village and cottage industries. Small scale units, though have direct bearing upon the solution of the problem of rural development, but while the rural industries require only Rs. 4,000 to Rs. 5,000 to provide job to an unemployed person in the rural area itself against Rs. 1 lakh required to create one job in large industries. Therefore, the need for and the urgency of developing village industries is now more acute than ever before. However, this area will have to be developed under a systematically planned programme by creating an organization at grass-root level to seek people's participation. The problems are many in number and complex in nature. But the need is to solve the bottlenecks in the way of successful functioning and growth of the village and household industries.

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