

CHAPTER - I

"LILY OF A DAY IS FAIRER FAR IN MAY"

1. INTRODUCTION
2. FORMULATION OF THE PROBLEMS
3. OBJECTIVES OF THE STUDY.
4. METHODOLOGY
5. REVIEW OF EARLIER STUDIES

:: CHAPTER - I ::

LILY OF A DAY IS FAIRER FAR IN MAY

INTRODUCTION :

The small scale industry has played and continues to play today a very significant role in the Indian economy. The small scale industry with its relatively low capital intensity and greater capacity for creating employment opportunities has an important role to play in the process of economic development of the country. It also helps to reduce regional imbalances, besides aiding balance of payments position in various ways.

The small scale industry produces, together with village industries sector, around half of the total industrial output and employs over 85 lakh people.¹ Rapid industrialisation is the main instrument for the Indian economy to come out the vicious circle of poverty. The growth of large scale, capital intensive production facilities in poor developing countries like India can at best create an Oasis surrounded by the desert of intensive human suffering. The growth of such a sector is bound to create miseries to millions in the form of unemployment, shortages of consumer goods and concentration of economic power and wealth in the hands of few rich people.² No doubt, in order that the Indian economy progresses on fairly sound footing for a sustained economic growth sacrifices are called for. But a policy requiring



sacrifices from those who can least afford to make these, as they have nothing more than their hunger to sacrifice, is bound to compound miseries for the most, leading to further immiseration of the miserable. As a result basic problems in countries like India, of unemployment, shortage of foreign exchange and paucity of capital will be accentuated. Under these circumstances, small scale industries appear to be better suited since majority of them are labour intensive and capital saving. Besides they are characterised by very short gestation periods.³

Dr. E.F. Schumacher has challenged the doctrine of economic technological and scientific specialisation and a system of intermediate technology based on smaller working units, communal ownership and regional work places utilising local labour and resources. His famous book. "Small is Beautiful," with the emphasis on the person and not the product, points the way to the world in which capital serves man instead of man remaining slave to capital. Schumacher says that " We need methods and equipment which are :- Cheap enough so that they are accessible to virtually every one; - Suitable for small scale application; and - Compatible with man's need for creativity."⁴

There are several arguments in favour of small scale industries in India which high light the importance of small scale industries.

GREATER EMPLOYMENT POTENTIAL :

Emphasising the employment argument Karve committee stated :
The principle of self employment is at least as important to a successful democracy as that of self Government.⁵ This argument is based on the assumption that small enterprises are labour intensive and thus create more employment per unit of capital employed. This argument has been apposed by Dhar and Lydall. They hold that employment should not be created for the sake of employment. There should be an economic justification for it also. They argue, " The important problemis not how to absorb surplus resources, but how to make best use of scarce resources." ⁶

R.Venkataraman has challenged the argument of Dhar and Lydall. As per his argument while the output employment ratio (which can serve as a measure of productivity) is the lowest in the small scale sector, employment generating capacity of small sector is eight times that of the large scale sector. But what is still more striking and significant is that the net output capital ratio of the small and medium sectors worked out to 4 and 3.2 times that of the large scale sector in 1965, despite the low productivity of labour in the small sector. In 1974-75 the net capital output ratio of large enterprises works out to be 3 times that of small enterprises.⁷

The Nobel Laureate, Dr. Gunnar Myrdal has also argued in favour of employment potential of small scale and cottage industries in this famous book "Asian Drama." He states " Now consider the house hold or cottage industries. They require very little capital, with any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory industries."⁸

CAPITAL LIGHT :

The small scale industries require smaller amount of capital. These industries make possible economies in the use of capital. In a developing economy like India capital is scarce. for e.g. as per ASI data for 1978-79 the fixed capital per employee was more than Rs. 11 thousand for medium sized industries, and about Rs. 50 thousand for large sized industries. As against this for small industries it was around Rs. 5 thousand. Within the small sector the value added per employee and per unit of fixed capital in case of some categories of units is some what 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 Rs. 7.5- Rs. 10 lakhs, the fixed capital per employee is less than Rs. 11 thousand, and value added per employee more than Rs. 11 thousand. The capital used in small scale industries is likely to be very small, output large, and employment still large.

IMPORT LIGHT :

Small scale industries use a lower quantity of imported materials and equipments as compared with the total amount invested in them. Large industries require imported machinery, raw materials and in some cases foreign skills also. Small scale industries hence are preferable to large scale industries in as much as they do not normally require imported machinery.

SKILL LIGHT :

Large scale industries require a great deal of management skills and technical expertise. For e.g. they require managers, foreman, engineers, technicians etc. But small scale industries do not require specialised skills. On the contrary, they provide industrial experience and may turn out managers, some of whom may be able to manage large scale industries.

SCOPE FOR FULL USE OF EXISTING RESOURCES :

There may be the existence of entrepreneurial ability in the country side, but this ability may not be brought forth because they live in the rural areas and savings at their disposal are also small. These latent resources should be brought out and channalised for industrial purposes. Small scale industries are able to tap these latent resources like entrepreneurial ability, hoarded wealth etc. Thus, according to Dhar and Lydall small

scale enterprises encourage the growth of a new class of organisers.

SELF EMPLOYMENT :

Small and cottage industries provide opportunities for self employment, and there by, solve or relieve the problem of unemployment and underemployment to a great extent. The small industries (in India) alone provided employment to 67 lakh persons in 1979-80. The number of persons employed in small scale industries further rose to 90 lakh in 1984-85.

ECONOMIC DECENTRALISATION :

Large scale industries help to earn a high income by a few persons. This leads to the concentration of income and wealth in a few hands. As against this small scale industries help to produce and distribute income on a wide scale. They facilitate a more even sharing of the benefits of industrialisation and national income.

BALANCED REGIONAL DEVELOPMENT :

There exist regional disparities in India. Some regions are more developed than the others. One of the major objectives of economic planning in India is to bring about balanced regional development of the country. Small scale industries help to

achieve the objective of balanced regional development.

The third Five year plan emphasised the need for balanced regional development - "Balanced development of different parts of the country, extension of benefits of economic progress to the less developed regions and wide spread diffusion of industry are among the major aims of planned development."⁹

FEEDER OF BIG INDUSTRIES :

Most of the small industries are ancillary in nature. Generally they produce the spareparts required by large industries. So they can lend a helping hand to the development of large scale industries by producing goods required by the large industries. for e.g. Kolhapur steel works manufactures pump casting, supply to Kirloskar groups. Vishwas Engineering works manufactures Gears, supply to Sugar Industries Menon & Menon manufactures Pistons supply to Tata Company (Ashok Leyland).

ADAPTABILITY :

Small scale industries can adopt them selves to variable market conditions. The demand for commodities may change in a short period. Now, small scale industries can also change accordingly. Due to low fixed cost, small enterprise is flexible.

ESTABLISHMENT OF SOCIALISTIC PATTERN OF SOCIETY :

Small and cottage industries can help in the establishment of socialistic pattern of society by promoting more employment

opportunities, balanced regional development, more equitable distribution of income, higher standard of living of the masses etc.

QUICK AND HIGH RETURNS :

The time required between application of inputs and coming out of output is shorter in case of small scale industries. Thus, capital invested in small industries returns soon and supply of essential consumption goods and capital goods come to the market.

EFFECTIVE MOBILISATION OF SAVINGS :

Small scale and cottage industries facilitate the effective mobilisation of the savings of the people for industrial development. Although there are these varied advantages assigned to the small scale industries, they are not free from their own problems.

CONTRIBUTION TO EXPORTS :

With the establishment of a large number of modern small scale industries in the post independence period, the contribution of the small scale sector in export earnings has increased by leaps and bounds. What is heartening to observe is that the bulk of the export of the small scale industries consists of such non-traditional items like ready made garments, sports goods, finished leather, leather products, wollen garments, processed foods, chemicals and allied products and engineering goods. The total

exports of the small sector industry products increased from Rs 150 crores during 1971-72 to Rs. 2,350 crores in 1984-85.

PROBLEMS OF SMALL SCALE INDUSTRIES :

Small scale industries in India suffer from a number of problems. They are :

1) INADEQUATE SUPPLY OF RAW MATERIALS :

Small scale industries do not get adequate supply of required raw materials in the time at reasonable prices.

2) LACK OF SUITABLE MACHINES :

Small scale industries are not able to get suitable machines and tools in time, and the prices of these are high, by small scale industry standard.

3) INADEQUATE AND IRREGULAR SUPPLY OF POWER :

Small scale industries face the problem of shortage of power and frequent power cuts. No doubt, the larger scale industries are also faced with a similar situation, the small scale industries are less capable of sustaining production losses.

4) LACK OF ADEQUATE FINANCE :

Lack of adequate finance is one of the more serious problems of cottage and small scale industries. They do not have proper sources of finance. Further, they are not able to

get cheap credit. On account of the absence of proper sources of liberal finance, they are often forced to borrow from local money lenders and indigeneous bankers at very high rates of interest, which the small scale industries are least placed to be able to bear.

5) POOR MARKETING CONDITIONS :

The small scale industries do not have organised marketing arrangements or sales organisations for marketing their products.

6) COMPETITION FROM LARGE INDUSTRIES :

Small scale and cottage industries have to face competition from large industries producing either identical or similar products.

FORMULATION OF THE PROBLEM :

In view of the importance of and the problems faced by the small scale sector, an effort is made in this study on " Problems and prospects of small scale units in the weaving industry of Hunagund Taluka" to evaluate the working of the small scale industrial sector in Hunagund Taluka of the Karnataka State.

Hunagund Taluka is widely known for its weaving industry for a long time. The various weaving units here undertake the production, mainly of traditional sarees, blouse pieces dhoties etc.

The industry is concentrated in two towns Ilkal and Kamatgi and two villages Sulibhavi and Amingad. The weaving units in these areas have been a major source of employment for the local labour force as also an activity in which better off many families. Many traders and landlords have invested large amounts of capital. In view of the fact that people are gradually switching over to modern textiles from the mill sector, it has become necessary to examine the potential of these small scale weaving units to face the mill sector competition and ensure the continuity of this major source of employment and income generation locally. The study attempts to do just that :

OBJECTIVES OF THE STUDY :

Following are the main objectives of the present study.

1. To trace the historical evolution of the weaving industry in this Taluka, and ascertain the various factors which led to the location of this industry in this taluka.

TO EXAMINE :

2. The present position of the weaving units in respect of
 - a) Production capacity
 - b) Investment
 - c) Employment
 - d) Turnover
 - e) Technology etc.

3. The marketing structure used by this industry.
4. The financing of this industry.
5. To emphasise and study the major problems faced by the industry at present.
6. To recommend on the basis of the findings of this study, in order to safeguard the interest of the industry and the labour.

METHODOLOGY :

In the light of the above mentioned objectives necessary data was collected from various sources.

a) PRIMARY DATA :

A detailed questionnaire was prepared to collect necessary information from the weaving units in this Taluka. The specimen of the questionnaire is given in Appendix - I.

The study is of the nature of the sample survey. The size of the sample is 20 percent of the total population, selected randomly with the help of random sampling tables. The owners of the units were interviewed on the basis of the questionnaire. A questionnaire was specially prepared for the purpose covering the aspects of General information, capital structure, raw materials, production marketing, workers employed, design, training, facilities etc, in these selected units.

b) SECONDARY DATA :

The secondary data was collected from the records of the units of the Government of Karnataka ,Handloom Corporation, Shakhambhari Cooperative Society Ltd, Publication of District industries centre, Bijapur and other agencies concerned. Statistical techniques were also used for the analysis of the data collected.

REVIEW OF EARLIER STUDIES :

Eventhough many studies have been conducted on the working of small scale industries in different parts of India very littæ effort has been made on the study of the working of small scale industries in the weaving sector in Karnataka State.

"Economics of Handloom and power loom industries in Karnataka state with reference to Bijapur district" was conducted by Dr. V.B.Angadi.

Objectives of the study of Dr. V.B.Angadi were :

- i) To assess prospects and place of the handloom and power loom industries in the context of underdeveloped but growth seeking welfare economies like India.
- ii) To understand the structural patterns and development of handloom weaving and power loom industry in Bijapur dist.

- iii) To analyse the impact of growth of handloom and power loom industry.
- iv) To examine critically the role and prospects of cooperative organisations in the handloom and power loom sector.

SUGGESTION ABOUT OLD AND TRADITIONAL DESIGN :

That study felt a need for establishing training and design school in the district to invent new designs and to disseminate information about them and to impart training to weavers.

A SURVEY OF HANDICRAFTS IN EIGHT DISTRICT OF MYSORE STATE¹⁰

This survey was conducted by Prof. S.S.Menasinkai in 1961. The object of this survey was to study the economies of handicrafts in eight districts of the Mysore state Viz. Bijapur, Bidar, Gulbarga, Raichur, Dharwad, Belgaum, North Kanara and South Kanara.

This study covered 14 important handicrafts which were selected for an intensive and detailed study. The study included, among other things, an assessment of the production potential, cost structure, financial and organisational problems and an estimation of the degree of under employment.

Prof. Menasinkai's survey covered the working of handicrafts in eight districts of Karnataka where as the present study relates to the working of small scale weaving units in Hunagund taluka. The survey of Prof. Menasinkai was based on cent percent enumeration of establishments where as the present study is conducted under sample survey method by taking 20 percent samples of small scale weaving units.

--:: REFERENCES ::--

1. Economic Information, Bank of India, Bombay, Vol.III
No. 110, April 4, 1983. P. 1.
2. N.B.Newalkar " Development and Employment Synthesis" Yojana,
New Delhi, Jan. 26,1972. P.P. 37-39.
3. V.B.Angadi " Economics of Handloom Industry" Karnataka
University, Dharwad, 1976 P. 12.
4. E.F.Schumacher "Small is Beautiful" ABACUS, London, 1977
P. 27.
5. Report of the Village and Small Industries Committee(Karve
Committee) New Delhi, 1955.
6. Dhar and Lydall "The role of small enterprises in Indian
Economic Development" Asia Publishing House, Bombay, P.11.
7. R.Datta and Sundharam " Indian Economy" S.Chand, New Delhi,
1986 p.556.
8. Gunner Myrdal 'Asian Drama' New York Vol.II P. 1219.
9. Government of India, Planning Commission Third Five Year
Plan 1961-66, New Delhi.
10. S.S.Menasinkai, " A survey of Handicrafts in Eight districts
of Mysore State Karnataka University, Dharwad, 1961.