

Problems And Prospects Of Small Scale Industries In Bihar After Globalization

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Introduction :

Small scale industries, thus, have been assigned a vital role in the economic development of the State. This can be witnessed in the development measures of both state and Central Government towards industrialisation in the State. While the governments are striving for development of SSI, sickness among SSI Units, on the other hand, are growing at an alarming rate and threatening to cripple the economy of the State.

Indian Scenario :

The small scale industry sector, with its significant contribution to the national economy, accounts for around 85% of industrial units, 40% of manufacturing sector output, 36% of exports and most importantly, provided direct employment to 180 lakhs people in 32 lakhs registered SSI units, the sector being the second largest employer in the country, It also encompasses the artisans/handicraft units on one hand, and modern production units with significant resources on the other, producing a wide range of over 7500 products.

The role of the Small Scale Industry in the industrial development of the country can not be over emphasised. Operating at the grass root level, these enterprises have been important avenues of employment generation. They have also served as important suppliers of intermediate products for larger industrial corporations. SSI has also played an important role in increasing exports; the contribution being about 35% of the total exports. In this sectors which are labour intensive, India has been having competitive advantage internationally so far, due to its abundant trained and cheap manpower resources. SSI has been able to tap this resource and thereby play a vital role in industrial growth and development.

This liberalisation process, deregulation and withdraw of protection has thrown up several challenges to this sector. Abid Hussain Committee has suggested some measures to support the SSI in the face of increased competition upon deregulation. Govt. has taken some measures such as package of Rs. 2500 crores to provide concessional funding to SSI units affected by dereservation setting up SSI clusters with modern infrastructure facilities,

restoration of excise exemptions for branded goods and for gradual graduating tiny and small scale units etc. The Abid Hussain Committee has concluded that the changed economic environment cannot afford to provide protection for unlimited period, however, the small scale sector will continue to enjoy special benefits. The 10th Draft Plan had suggested the formation of a Small Industries Development Fund of Rs. 1000 crores.

The growth of the SSI sector should effectively neutralize the problem of excess man power arising out of downsizing initiatives in many private companies and the government sector.

Spectrum of Industries

Predominant Industries		Prospective Industries
Agro-based implements	Steel Products	Wire & Sisal Rope Pharmaceutical
Refractory Products Processing	Graphic Products	Mineral-based in food
Chemical Products Technology	Shellac Products	Consumer Products Information
Textile Products	Food Products	Handloom Products Bio- Technology
Glass Products	PVC Products	Plywood Products Tea
Ready-made Garments	Non-edible Oil	Engineering Products

In spite of being capable of producing good quantity products in required quantity, at reasonable cost, most SSI Units are facing financial crunch, with a gradual decline of market growth. In the present scenario of outdated technology use, absence of research, development and testing facilities, irregular and poor quality power supply, most of the SSI Units are not viable.

It is only strong political will, which would be a core enable in achieving the envisioned industrial growth. The government should set up an effective mechanism to monitor the policy adherence, and make suitable amendments based on feedback from the implementation agency and the beneficiaries. Establishing and strengthening institutions for the development of human

resource in the field of tiny and cottage industries, besides exposure to the latest technology applications in modern mainstream industries, will be major booster to the SSI sector.

The government should not only provide a platform to market the products globally, but also improve the market potential by creating an effective value chain, incorporating backward and forward integration by encouraging entrepreneurs for expansion/modernisation/diversification. In order to induce accountability and sense of responsibility at all places, a public audit committee may be constituted with members from leading beneficiaries as well as the authorise.

The government should institute awards for units actively engaged in encouraging them for investments in knowledge-based industries, such as information technology. In order to avoid delay and ensure smooth functioning of the SSI sector, the state/s should bring out a suitable legislation, so that all formalities including inspection can be carried out in the shortest time after submission of only one form.

Position of SSI Units in Bihar :

The study will be dependable pointer to the direction of development of Small Scale Industries in Bihar. The rapid development of Small Scale Industries is the prime solution to increase income and employment of Bihar. Small scale Industries are the main occupation to engage excess and disguised unemployed population of agriculture. Development of Small Scale Industrial sector may check the increasing migration of labour from Bihar. There is high potential of Small Scale Industrial development of Bihar particularly agro-based industries. There is scope for the development of leather industry, engineering workshops, chemical industries, carpentry, khadi, handloom, paper industries, fruit industries, fisheries, dairy, wood, cake, agricultural tools, steel fabrications, ornaments, oil, food stuffs, gur, katha, bone, fertilizer, soap, toys, cycles, trunks, folk arts, paintings, garments, metallic, horticulture, makhana, vegetables and flower industries etc. are having good prospects. The products of these industries are an excellent source of foreign exchange as well. The project aims at the exploration of ways and means to develop the Small Scale Industries in Bihar with the suitable scheme for solutions to the problems pertaining to input, raw materials, finance, enterprises, marketing, artisans, exports, technology and infrastructure etc. with respect to economic reforms. The fact remains that the Small Scale Industries have been a potential source of livelihood in India since the ancient times and needs renovations to increase income, employment and growth.

Important of small scale sector in removing economic backwardness of the State of Bihar lies in its significance for generation of employment with low capital cost. They are adaptable to rural and semi-urban areas of the State. Though the number SSI units have increased in the State it is not uniform in all the regions of the State.

S.No.	Name of Authority	Registered Units	Working	Sick	Dead
1.	Patna	832	321	177	23
2.	Muzaffarpur	176	144	62	-
3.	Darbhanga	282	160	120	20

Nearly 25 percent of total registered units in the State are closed which is fairly high compared to many other State of India. There are some working units which are either sick or on the verge of getting so. According to a report of RBI by March, 2006, a large number of SSI units (30894) were closed in Bihar.

The state of Bihar is in an unfortunate state of affairs and the pace of industrilization in the state is considerably negligible, taking the norms of industrilization into consideration. There are a number of factors which are responsible for inhibiting the process of industrialization in the State.

Among the factors inhibiting growth the economic factor has been greatly instrumental in inhibiting the industrial development of the State. The low per capita income, lower C.D. ratio of commercial banks working in the state, bottle-necks in mobilization of resources, low power supply to the industrial units, deplorable conditions of roads and transport, and other forms of the bottlenecks in the different parts of the state are the factors that mainly contribute to the less industrial development. Besides the social stigma, govt. apathy and people's in different attitude towards it may also the attributed for less industrial development in the State.

Investments in the public enterprises in the State have not followed any definite pattern. Government investments have generally been in the form of equity capital or loans. But while making investments the State Government appears to have paid insufficient attention to the individual characteristics and peculiar requirement of a particular enterprise. It is apparent that no definite principle has been followed in respect of supply of capital to the public enterprises. In place of parity between loan and equity capital, the State Government has shown undue

prediction for loan capital to public enterprises. Capital intensive enterprises Bihar Electricity Board, Bihar State Road Transport Corporation, Bihar State Small Scale Industries corporation and Bihar State Industrial Development Corporation have been burdened with interest bearing capital far in excess to the desired level.

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