INDUSTRIAL DEVELOPMENT IN WEST BENGAL SINCE 1971

ABSTRACT

THESIS

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Abstract

The present study entitled “Industrial Development in West Bengal Since 1971” planned to investigate the influence of growth and development in the State. The main objectives:

- To analyze the various manufacturing industries performance during 1971-2004.
- To identify the main problems confronting manufacturing industries and small-scale industries.
- To examine the nature and extent of inequalities at the district and inter district level in West Bengal.
- To suggest measure this should be taken to realize the full potential of growth and development of industries as well as small-scale industries in the long run.

Beside above objectives, it also concerned (a) on the level of disparities of industries in the State (b) the nature and extent of inequalities at the district level (c) the effectiveness of an indicator in relation to other variables and (d) the potential for future improvements in functioning and planning.

Considering the large size of the study area, it was difficult to carry out this study at the block or the village level. On the other hand, the greater number of indicators also proved to be constraint in the choice of the block or village as a unit of study. Hence, district was considered as an appropriate unit of study. The study is focused upon 18 districts. To illustrate the nature and magnitude of the measures of ‘Industrial Development in West Bengal Since 1971’ variables have been adjusted at different stages with the help of quantitative methods.
To illustrate the effects of the measures of manufacturing industries and small-scale industries, variable have been organized at different stages with the help of quantitative methods. The obtained tables have serialized according to the merits and significance of the problems. There are three main points which have been taken into account for the whole position. At first instance crude date were converted with the help of computer technique into different statistical criteria. Second stage is presentation of the problems with the help of correlation coefficients. The third aspects include the detailed analysis of the problem substantiated by methodology used in simple, analytical and involve calculation of percentage and compound growth rate. Compound growth rate in the case of small-scale industries have been calculated for number of unit, production and employment etc.

Published and unpublished data were procured from various official agencies. These agencies include: West Bengal Bureau of Applied Economics and Statistics, Economic Review, District Statistical Hand Book, News Papers and Internet, etc.

The present study entitled “Industrial Development in West Bengal since 1971”, deals with the analytical as well as the theoretical aspects of subjects, and takes into account the related fields of industrial development in detail. The ongoing work has been divided into six chapters. Chapter 1 deals with the basic premises of the study.

Crux of the problems begins from chapter 2 and onwards. Chapter 2 bases on “Genesis of Industrial Economy”, deals at length the meaning, definitions and emergence of the field. The definition has been substantiated by the opinion of different economists.
Chapter 3 made an attempt primarily to assess the performance of industrial sector in West Bengal. It also elaborates in detail about the salient features of the policy and its prospects in future.

In chapter 4 examine the growth and development of various manufacturing industries i.e. jute, cotton, tea, leather etc.

Chapter 5 evaluates the important role of small-scale industries in the State. In this chapter, it analyze through many table about the number of units and distribution of employment in different zones.

Chapter 6 is related with “Problems of Industry in West Bengal”. This chapter focuses attention on all those components which either create problems for industrial development or sometimes because unavoidable circumstances which hinder the smooth functioning of an industrial unit.

Lastly, the study has concluded the work with some suggestive measures.

At the end a list of bibliography has been included to the sequel.

The works outline the need for an integrated analysis of economic, social and political activities, involving a variety of institutions and many interactive agencies. It concentrates particularly at the roles and interconnections between certain crucial instrumental freedom, including economic opportunities, political freedom, social facilities, transparency guarantees, and protective security. The work can be useful instruments in the hands of government and non-government functionaries.
Dedicated
To
My Parents
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(Fakhruddin Ahmad)
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Chapter -1

Introduction
Chapter - 1

Introduction

Industrial economics is a distinctive branch of economics which deals with the economic problems of firms and industries, and their relationship with society. In economic literature it is known by several names such as ‘Economic of Industries’, ‘Industry and Trade’, ‘Industrial Organization and Policy’, ‘Commerce’ and ‘Business Economics’, etc. The name ‘Industrial Economics’ was adopted in the early fifties perhaps through the writing of PWS Andrews. ¹ Although this name is becoming popular day by day, some authors, particularly in the American circle, prefer ‘Industrial Organization’ as a title of the subject.²

In fact, Stigler emphatically argued that the field of industrial economics does not really exist. It is nothing more than a slightly differentiated microeconomics.³

Industrial development not only emphasizes the location of different industrial units at a place but it also take into account the various factors which play the role of cause and effect. The engagement of employment as well as production of goods may also be termed as the basic components of development. It also encompasses the role of demand generating capabilities.

Industrialization is identified with economic development. Theories of progressive structural changes also propounded the fact that as economic development gets underway industrial and service sectors assume larger

² Koch, JV (1974): Industrial Organization and Prices; Prentice-Hall, N.J.
proportion of the total value added. Naturally, industrial deceleration becomes an explicit symbol of economic underdevelopment and this must have a far-reaching implication either at the national level or at the regional level.

Development in the field of technology, the increasing interdependence of the major units of production, transportation and services, the changing character of the labour force and the emergence of new economic and social problems have changed and will change further the environment in which industrial relations are shaped. Industrialization is a basic feature of modern economic growth and intended to signify that only the non-agricultural industries display major rises in productivity. Advanced industrial countries are said to be experiencing their second, or perhaps third, industrial revolutions. The underdeveloped countries are said to be in the midst of a “revolution of rising expectation”, and on the verge of the early stage of a first industrial revolution.

Industry is an area which concerns all the social science. It has elevated the interests of the economist, sociologist, psychologist, management scientist, historian, industrial relation specialist and social worker. It disregard traditional boundaries which have rapidly separated one discipline from another. The sociologist cannot shut their eyes to the theory of industrialization merely because the most ambitious attempt to etch the future shape of society has been made by a group of economists.

Objectives:

Many studies have been done for the manufacturing industries in India and abroad. An attempt has been made in this study to evaluate the distribution of registered working factories and number of small-scale industries in West Bengal. It has been tried to analyze the current situation in the State. Endeavour has been made to find out various causes which effect
the scenario of industrial development in the State. Main emphasis has been made to observe the enlist various other factors which have been the integrant of the concentration of industries throughout the world and on the basis of which has been attempted to study the same situation in connection with West Bengal.

Other specific objectives within the framework set out for the study are as follows:

2. To identify the main problems confronting of manufacturing industries and small-scale industries.
3. To examine the nature and extent of inequalities at the district and inter district level in West Bengal.
4. To suggest measure this should be taken to realize the full potential of growth and development of industries as well as small-scale industries in the long run.

This study has added significance due to the initiation of the process of economic reform in India since 1991. The manufacturing and small-scale industries in West Bengal have been working within the overall framework of protection. But with the initiation of the process of economic liberalization, this sector is now more exposed to competition. It is important, therefore, that we have to look into the difficulties and adopt appropriate measure to overcome.

**Methodology:**

To illustrate the effects of the measures of manufacturing industries and small-scale industries, variable have been organized at different stages with the help of quantitative methods. The obtained tables have serialized
according to the merits and significance of the problems. There are three main points which have been taken into account for the whole position. At first instance crude date were converted with the help of computer technique into different statistical criteria. Second stage is presentation of the problems with the help of correlation coefficients. The third aspects include the detailed analysis of the problem substantiated by methodology used in simple, analytical and involve calculation of percentage and compound growth rate. Compound growth rate in the case of small-scale industries have been calculated for number of unit, production and employment etc.

**Database:**

The present work examines the industrial experience of West Bengal during the period 1971 to 2004 with particular emphasis on the role of the government as the main instrument for growth. For this work, available statistical material has been utilized for the sake of precession as well as to strengthen the quantitative evidence. This study carefully analyzes the growth of industries and industrial complex in the state of West Bengal.

The method of research followed during the course of this study is analytical in nature. The present study is fully based on secondary data published by various government agencies. The data thus collected were tabulated, analyzed and interpreted in consonance with the objectives of the present days.

Five major sources of date are used in this study to depict and analyze special patterns of industrial development. These six sources summarize data from a wide range of published sources and from the widest range of data available. Data published by various agencies have been immensely used. These agencies include: West Bengal Bureau of Applied Economics and

**Unit of Analysis:**

District is the main unit of analysis in this study. Considering the nature of the work it was not easy to have a smaller unit than that of district. Entire districts have been considered for the purpose. There are eighteen districts which have been taken into account. The districts of 24 Parganas (North) and 24 Parganas (South) sometimes in parentheses denote simply N and S respectively which serve the same purpose.

**Organization of the Study:**

The present study entitled “Industrial Development in West Bengal since 1971”, deals with the analytical as well as the theoretical aspects of subjects, and takes into account the related fields of industrial development in detail. The ongoing work has been divided into six chapters. Chapter 1 deals with the basic premises of the study. The important thrust of this chapter lies in the statement of the problem concerning objectives, methodology, database, units of analysis, etc. Given the aims of the study this chapter provides a brief review of the literature. It tends to give a brief overview of the study area rather than a detailed description keeping in view the nature and scope of the work.

Crux of the problems begins from chapter 2 and onwards. Chapter 2 bases on “Genesis of Industrial Economy”, deals at length the meaning, definitions and emergence of the field. The definition has been substantiated by the opinion of different economists. This chapter also read as “Impact of Industrialization”. Attempts have been made to analyze the impact of industrialization and its role in the development of the society. It has also been endeavoured to find out the negative aspects of industrial development.
Emphasis has been made to underline various environmental problems related with industrialization. In this chapter, it is also discussed about the industrial scenario during the various plan periods and assessment of economic reforms in India and side by side analyzes the problems and prospects of small-scale industries after 90s in the country.

Chapter 3 made an attempt primarily to assess the performance of industrial sector in West Bengal. In this chapter, it explain new industrial policy adopted in West Bengal, where analyze the economic policy and its approaches of the State Government. It also elaborates in detail about the salient features of the policy and its prospects in future.

The next chapter entitled “The Growth Pattern of Manufacturing Industries” which is the fourth one is based on the study area. This chapter is the main one as it is directly related with the theme of the present study. Various tables have been included on the basis of the secondary source of data. It has been envisaged to come out with various controlling factors of industrial development together with associated problems. In chapter 4 examine the growth and development of various manufacturing industries i.e. jute, cotton, tea, leather etc.

Chapter 5 evaluates the important role of small-scale industries in the State. In this chapter, it analyze through many table about the number of units and distribution of employment in different zones. Here the author try to correlate to number of small-scale industrial units registered with corresponding employment. Financial assistance plays a vital role in economic growth and development. Therefore, this important area also covered in this chapter. Handloom and sericulture are the emergence sectors in recent time and they also play a pivotal role in the State economy. So, these areas also get the position in this chapter.
Chapter 6 is related with “Problems of Industry in West Bengal”. This chapter focuses attention on all those components which either create problems for industrial development or sometimes because unavoidable circumstances which hinder the smooth functioning of an industrial unit. It incorporates the matter right from natural resources to humanly affairs.

Lastly, the author has concluded the work with some suggestive measures. Conclusions are entirely based on the 4\textsuperscript{th} to 6\textsuperscript{th} chapters, because remaining chapters are related with theories, assumptions and explanations. Some measures have been suggested which if adopted will help industry flourish in West Bengal.

At the end a list of bibliography has been included to the sequel.

\textbf{Review of Literature:}

It is difficult to know the true beginnings of the field because of non-availability of facts. There is, of course, some evidence according to which monopolistic practices and other elements of the industrial economics were in operation as far back as 2100 BC.

Adam Smith propounded the principle of division of labour. According to him: “The greatest improvement in the productive powers of labour and the greater part of the skill, dexterity, and judgment with which it is directed, or applied, seem to have been the effects of the division of labour.” To support his contention Adam Smith gave the famous example of pin-making, whereby division of labour, productivity went up manifold. This principle has a fundamental bearing of industrial economics and now-a-days, particularly in modern large corporations, production is impossible without division of labour or machines as a way of production. Apart from the division of labour, Adam Smith’s contribution to the field of industrial economics is the analysis of product pricing. He regarded a product having two prices ‘market price’ at
which it changes hands and ‘natural price’ or ‘value’ determined by the labour required to make the product. Much of his analysis was devoted to the determination of ‘natural price’, ignoring the market price altogether. Though he is criticized on this account, yet his work is regarded as a pioneering study of price-cost margins for industries under competitive conditions.¹

After Adam Smith, the historical development of the economic analysis of industrial activities was subject to the methodological division. One school of thought led by Jevons followed abstract, deductive reasoning to derive testable hypotheses in the theory of the firm, while the other, known at Historical School, followed inductive for study of the economic behaviour of the firm and industry. S Jevons, almost hundred years after Adam Smith, developed the theory of demand in terms of the present utility theory.² In addition to this; he was able to refine the concept of cost and the factors of production. He and his follower Edgeworth³ were able to establish the conditions for equating price and average cost of a product and thus, elimination of the excess profit. Clark⁴ carried their work further and Knight⁵ was able to refine the perfect competition model which we see at present.

Sraffa’s description of the laws of the returns under competitive conditions⁶ was perhaps the turning point. Thereafter the stumbling blocks of Joan Robinson’s theory of imperfect competition⁷ and Chamberlin’s analysis of monopolistic competition. These two theories, particularly of Chamberlin’s opened altogether new venues for the industrial economics. The impact of

³ Edgeworth, FY (1881): Mathematical Physics, London.
⁵ Knight, FH (1921): Risk, Uncertainty and Profit, New York.
⁸ Chamberlin, EH (1933): The Theory of Monopolistic Competition, Harvard University Press.
Chamberlin’s work on industrial economics was so profound that it was regarded as the single most important antecedent of contemporary industrial economics. Along with the line of Chamberlin, Hotelling developed the stability conditions for competition by taking differentiated goods and special dimensions. His work and Chamberlin’s theory together influenced Lancaster who has developed altogether a new theory of consumer demand which is very much relevant for industrial economics.

An independent development in the theory of firm was seen during the decade of the 1940s, when Von Neumann and Morgenstern published their work on the game theory. Economists accepted this as a text of industrial economics; this theory has many potential uses. Martin Shubik,

Along with the deductive stream of thoughts, the alternative methodology of inductive reasoning was in extensive use right from the time of Adam Smith, to develop a meaningful and realistic theory of industrial economics. The need for such an approach was felt mainly because the method of logical deduction being too abstract failed to analyze the economic behaviour of the firms as seen in real life. This school of thought, and many other individual researchers, used the histories of the individual firms and industries and case studies covering the institutional and local conditions in which the firms operated, to find out common patterns regarding varieties of industrial activities such as product variation, merger, innovation, investment, employment, pricing policies, distribution of profits, advertisement, etc. The important authors who made significant contributions in this side of industrial economics are:


economics during the early thirties were Allen, ¹ Sargent Florence, ² Berle and Means ³ and WG Hoffman ⁴. Allen’s work was mainly concerned with the aim of describing the structure of certain British industries against the background of their historical development, at the same time considering some of the more significant trends in the industry as a whole. Florence examined the industrial structures and functions in a more logical way linking economic and political sciences and other related disciplines like statistics and psychology. Hoffman provided a very lucid description of manufacturing industries and the historical pattern of growth they generally follow. Berle and Means made a break through in the empirical analysis of the modern corporations by making a separation between ownership and management. Mason ⁵ was an important author in the late thirties who dealt with the price and production policies of large scale corporations and in the forties came a very important work of PWS Andrews. ⁶

The fifties and sixties developed bulk of the industrial economics that we read at present. The journal of Industrial Economics was started in 1952. Then appeared the important contributions by Bain, ⁷ Marris, ⁸ Stigler ⁹ on one side and Simon, ¹⁰ Cyert and March, ¹¹ and Galbraith ¹² on the other. Bain provided ‘the structure-conduct-performance’ nexus as a framework for

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industrial analysis. His contribution in industrial economics is quite significant. Robin Marries analyzed the role of managerial behaviour in the context of modern corporations. His work has been extended further in the quite different framework of techno-structure by Galbraith. Cyret and March developed a behavioural theory of the firm which opened a new frontier in the study of industrial economics. Simon studied the process of decision making in the context of industrial organization as an administrative unit. Stigler, who is a leading industrial economist at present, focused on the analysis of the oligopoly structures, apart from other things.

While the deductive and inductive sides of the theory of the firm were in the course of their distinctive development, there were economists who adopted a compromising stand, that is, the use of both the methods in the study of the economic behaviour of the firms and industries. Schumpeter and Marshall were leading economists in this theory. Schumpeter was mainly a development economist, but his work in entrepreneurship, innovation and analysis of competition had a profound impact on contemporary industrial economics. Marshall was deeply impressed by the utility theory of Jevons and inductive or industrial approach of the Historical School. He, therefore, adopted the middle way. This is reflected in his book ‘Principles of Economics’ and even more so in his ‘Industry and Trade’ which was the early textbook of industrial economics. According to him, “induction, aided by analysis and deduction, brings together appropriate classes of facts, arranges them, analyses them and infers from them general statements and laws”.

It has seen the highly useful work of EAG Robinson in the field of industrial economics. ¹

Summing up the review of the historical development of the subject, it may say that it has come up to the present stage mainly during the last fifty to sixty years. The subject has not yet grown to its maturity. From methodological point of view, it is an amalgamation of the deductive and inductive methods as perceived by Marshall. It has many dimensions to grow for which sophisticated tools of analysis like econometrics, game theory, operation analysis, information science and computers are being used extensively.

The Study Area:
The State of West Bengal as it appears nowadays is not the same as it used to be earlier in its shape, size and location. West Bengal, as the name indicates, is the western segment of a larger regional entity called Bengal. Precisely it is the area left out from Bengal province in undivided India, after East Pakistan (present Bangladesh) was carved out of it. West Bengal has been called a problem State. Many of its problems flow from the division.

West Bengal has for long been the leading industrial hub of India but for the last several years it has become humdrum. Fading glory of the industrial development has its own tale to tell. But a mere pronouncement is not sufficient to call it a deteriorating centre of industrial activities. It is therefore of paramount importance to judge the parameter through the point of view of an economist and for the reason West Bengal has been selected as the study area. The present work titled “Industrial Development in West Bengal since 1971’ has been chosen owing to the various reasons. West Bengal is one of the main industrial centre of the country. It also occupies the

undisputed place in India to which the largest areas of hinterlands of eastern India are attached. It possesses several other socio-economic-political causes which play key role in making it both decaying and growing industrial hub. These are the component factors due to which the author has selected this topic.
Chapter 2

Genesis of Industrial Economy
Chapter – 2

Genesis of Industrial Economy

Industries since its inception have been playing most crucial role shaping, moulding, changing and incarnating the modern civilization. It holds the key of the development processes in different field with which all sorts of progress, advancement and new vistas of scientific opportunities are closely associated. The present day a civilization opportunity is interwoven with the degree of industrial attainment. One of the basic indicators of advancement of the present day world is considered to be the stages at which industries are found to be developed.

2.1. An Overview of Industrialization:

Development in the field of technology, the increasing interdependence of the major units of production, transportation and services, the changing character of the labour and the emergence of new economic and social problems have changed and will change further the environment in which industrial relations are shaped. Industrialization is the basic feature of the modern economic growth and intended to signify that only the non-agricultural industries display major rises in productivity. Advanced industrial countries are said to be experiencing their second or perhaps third industrial revolutions. The underdeveloped countries are said to be in the midst of a “revolution of rising expectation”, and on the verge of the early stage of a first industrial revolution.

Industrial economy has played a crucial role in the development strategy and particularly with regard to the objectives structural diversification, modernization and self reliance. The rapid progress in
Industrialization accompanied by technological growth and managerial skill is essential not only for efficient operation of highly complex and sophisticated industrial enterprises but also for its planning, design and construction.

"Mankind has made a long march from the days of Adam as Keynes dates it to this age of automation and cybernetics. In this long march mankind has achieved a tremendous progress."¹ History of Industrial development indicates that smashing of machines during the second half of the 18th century culminating in the passing of Acts (1779) to control and prevent riots against the machinery and efforts of prohibiting the use of machinery in industry through legislation (1780) in England.²

"Although the study of industry by economists is as old as the study of economics itself,³ the term ‘industrial economics’ is of quite recent origin. It appeared for the first time into the literature of Andrews in 1950s.⁴ Importance to this the economic analysis of industry was not recognized a distinctive branch of economics in many quarters and given a variety of different names, such as, ‘Economics of Industry’, Industry and Trade’, Business Economics’, ‘Commerce’ and Industrial Organization’ etc. being the ones most frequently encountered.

Contribution of Adam Smith in the field of industrial economics included the analysis of product pricing. He regarded a product having two prices. i.e., market price and natural price determined by the labour required to make the product possible. Ultimately he emphasized in ‘natural price’ and ignore the market price altogether. "The impact of Chamberlin’s work in

industrial economics was so profound that it was regarded as the single most important antecedent of contemporary industrial economics”.¹

The most striking thing about modern industry is that it requires so much and accomplishes so little. Modern industry seems to be inefficient to a degree that surpasses one’s ordinary power of imagination. Its inefficiency therefore remains unnoticed. An industrial system which uses 40% of the world’s primary resources to supply less than 6% of the world’s population could be called efficient only if it obtained strikingly successful results in terms of human happiness, wellbeing, culture, peace and harmony.²

2.1.1. Objective of Industrial Economics:

One of the most important objectives of industrial economics is the development of satisfactory explanations and smoothly functioning of the ways in which the economics forces operate within the industrial sector. Empirical investigations in industrial economics now place the development and refinement of economic theory among principle objectives. The ultimate purpose is to interpret and forecast the actual situation in the real world. In fact, here applied economics is the logical extension of any theoretical economics and is the ultimate justification for it. Traditionally microeconomic theory is aiming at a make broader analysis and predictions than those with which industrial economics have been concerned.³

Development is not a peak of achievement to which all countries aspire and which some have reached; it is rather a continuing process. The so called developed countries are themselves still developing; growth has been faster in

the United States during the present centuries than in the countries of Western Europe and more recently has been for more rapid in Germany and Japan than in the Great Britain and Italy. Yet all these countries form part of developed world. The process of development requires two conditions: the availability of resources, of which energy resources are probably the most important, and secondly, socio-economic milieu which encourages, protect and reward the entrepreneur. Great Britain possessed both when modern economic development began in the 18th century. Other countries in Western Europe were no less well endowed with resources, but social conditions were less conducive to development. On the other hand, Japan was able to compensate for its poverty in industrial raw materials and energy resources by means of its managerial skills and the determination of its government.

Development necessarily takes place through time. It is diffused from the centre where it first takes place, e.g., innovations such as the steam engine, technical process in iron and steel working and adaptation of mechanical spinning and weaving originated in Great Britain and then spread first to France and the low countries, then to Central and parts of Eastern Europe, and lastly to the New World and Japan. The outward spread of innovations was not regularly predictable. They were adopted as and when a need for them appeared, and in many areas they were opposed by those who believed themselves threatened by their introductions. Diffusion has a strongly random element, and much depends on human perception of a situation. For instance, iron was first smelted with the coke fuel in Great Britain about 1709. Subsequent experiments in France and the Low Countries failed; however, the coke was not used successfully in continental Europe until the late 18th century in Silesia. It was not used in the Ruhr, which had the most abundant reserves of coking coal until 1849.
It is commonly accepted that fundamental changes in the practice of agriculture are a necessary prelude to developments in manufacturing. The Industrial Revolution in Great Britain was preceded and accompanied by radical changes in agriculture, which eliminated the open fields and the practice of following, and also initiated the selective breeding of livestock. France, after 1815, underwent important changes in agriculture, and later on the industrial developments of the former Soviet Union and Eastern Europe went ahead together with the collectivization of firms. The availability of energy resources and raw materials is always an important factor in industrialization and economic growth. In earlier developments it was essential: one could not conceive of modern industrial development except for a country like Great Britain, which possessed large reserves of coal and at least some other materials, and before 1850 industrial development could not occurred significantly in more than a few kilometers from a coal field. In the 19th century, the development of canals and railways permitted manufacturing to be established at a distance from the coalfields especially in Germany, where most of the modern industrial development took place after the construction of the railways network. Today, thanks to high voltage transmission of electric power, energy supply is far less significant in the location of manufacturing, and in many of the developing countries, the most important energy source is imported oil. Although certain industries, such as, iron-smelting remain closely linked with the sources of their chief materials.

2.1.2. Market Structure:

No doubt, 'structure' is a term frequently used, but rarely defined in industrial economics. 'Industrial structure' refers to the relative importance of individual industries within an economy and to the transactions pattern between these industries. 'Structure' generally refers to the levels of seller
and buyer concentration, the height of entry barriers and the degree of product differentiation within individual markets. Structures of industries can be divided both on the basis of ownership and size. On the ownership criteria, industries can be further divided into private, public and joint sector units. On the basis of size, they can be categorized into small, medium and large. In India, most of the large and medium scale units are in the public and joint sector. Small scale units are in the private sector. The next important criterion of industrial economy is the increasing contribution to the secondary sector. An important structural change that accompanies economic growth is that the share of primary sector on the total national output falls, whereas that of the secondary sector rises. This is testified by the experience of the other countries where sizeable shifts in the relative contribution of various sectors of national output occurred. To achieve these targets a major requirement to ensure a good market is the need for proper transaction links. Development of suitable road and rail link would go a long way in meeting market demands by improving the distribution system for various products. The strength of the country’s industrial structure stemmed from several positive aspects of industrial progress achieved in the past, i.e. substantial increase in the size of the industrial sector, diversification of industrial base, development of scientific, technical and managerial skills and broad based growth of the entrepreneurial class. Most of the time, particularly, in underdeveloped countries, these could not be fully utilized because of weakness which have developed in the industrial structure. The weaknesses that were identified were: long gestation periods, low capacity utilization, inadequate

technological innovation, increasing obsolescence, low rate of increase in productivity high cost structure. The emergence of shortages in the supply of strategic inputs such as power, coal, steel, cement and the inadequacy of transport facilities have accentuated the problems. Several of these weaknesses could be rectified if conditions are created for promoting an atmosphere of mutual trust between government and industry.¹

As the tempo of development grows, so does the requirement for capital is needed for development. The need of capital is continuous and also boundless. It is also generated by development. Economic progress creates its surpluses with the intention of further development is achieved, often at an accelerated rate. Most of the developed and developing countries have relied on their respective government for the capital investment and government is today the largest entrepreneur, accounting for almost half of existing industrial investment and continues to have new projects in fertilizer, steel and other fields requiring a large amounts of new capital.

The economic growth of nations in modern time is not merely a process of accumulating material capital and increasing the numbers and even the skills of the labour force. The major sources lie in the increased knowledge applicable to practical problems of economic production. This large and growing potential of technological knowledge can be tapped only if economic and social institutions have been properly adjusted to permit capital accumulation and efficient labour force.

Technological improvement, specialization and trade eventually delivered large gains in living standards for the core industrial, countries if not for their less developed trading partners’ dependencies. By the late 18th

century, Adam Smith was already remarking that "in a civilized and thriving country ...... the accommodation of (a) prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the life and liberties of ten thousand naked savages".¹

The modern world shaped by modern technology, find itself involved in three crises simultaneously. First, human nature revolts against inhuman technological, organizational and political patterns, which it experiences as suffocating and debilitating; second, the living environment which supports human life aches and groans and give signs of partial breakdown; and, third, it is clear to any one fully knowledgeable in the subject matter that the inroads being made into the world's non-renewable resources, particularly those of fossil fuels, are such that serious bottlenecks and virtual exhaustion loom ahead in the quite foreseeable future.

The primary task of technology, it would seem, is to lighten the burden of workman has to carry in order to stay alive and develop his potential. It is easy enough to see that technology fulfill this purpose when we match any particular piece of machinery at work- a computer, for instance, can do in seconds what it would take clerks or even mathematicians a very long time, if they can do it at all. Purchase the technology of mass production is inherently violent, ecologically damaging, and self defeating in terms of non-renewable resources, and stratifying for the human person. The technology in production by the masses, making use of the best of modern knowledge and experience, is conducive to decentralization, compatible with the law of ecology, gentle in its use of scarce resources, and design to serve the human person instead of making him the servant of machines. One can also call it self help technology,

or democratic or peoples technology- a technology to which everybody can
gain admittance and which is reserved to those already rich and powerful.¹

2.1.3. Impact of Industrialization:

About 200 years ago, unknown to those living at the time, a
fundamental revolution began in the history of mankind, which was to lead to
the development of the world. First in Britain, then in a few areas of Europe
and N America, a structural transformation seen in perspective as having been
in preparation for centuries shifted the balance of productive activity from
agriculture to industry and opened up boundless possibilities for increasing
the productivity of human labour. This process best described as
industrialization, brought into existence those from the labour and style of
living distinguishing the modern world from the past, the advanced countries
from the 'backward' ones. The central characteristic of industrialization is
machine production, the basis for an enormous growth in productivity and
thus for economic specialization in all directions. It created a new
environment for work, with its own demands and laws the factory. It brought
about the concentration of workers in big industrial unit and their growth of
forms to house the working population creating a new urban environment for
social living.

Industrialization imposed new forms of labour by bringing together
many workers under one roof to operate machine driven by power. Workers
were incorporated into an articulated system of division of labour in which
they performed only one small part of the total labour going into production.²

Industrialization is a process of economic development in which a growing
parts of national sources are mobilized to develop a technically up to date

diversified domestic economic structure characterized by a dynamic manufacturing sector having a producing means of production and consumer goods and capable of assuming a high rate of growth for the economy as a whole and of achieving economic and social progress. Industrialization offers a major opportunity and opens new doors of development for economically backward region, experiencing high population pressure, chronic unemployment and underemployment on account of lack of adequate off-farm employment opportunities.

Industrialization is the process where industrial activity plays a dominant role in the economy on the nation. Industrialization may take place as a result of some process of development planning. Manufacturing has always been regarded a necessary economic activity, ever since the first fashioning of a plough. The advantages of division of labour eventually created specialist producers of particular types of commodities. The division of labour not only enabled a producer to experience a high level of output produce, but at the same time it brought forward a unique and maintained enterprise. It initiated the on set of specialist manufacturing unit. This input brought tremendous advantages to the manufactures in respect of higher yield on the one hand and on the contrary the average productivity of the labourer improved considerably.

The process of industrialization under CAPITALISM involves important changes in the social relations of production. As large scale industry grows, it is important to have a supply of labour capable of responding the market force and this break down the existing system of organization. Industrialization is considered to be the panacea for the

1. UN Committee for Industrial Development (13-31 May, 1963), p 33.
problems of poverty in underdeveloped world. The process is restricted not only by the shortage of capital but also by the predominance of the road of primary producers assigned to underdeveloped countries in the international division of labour.

Beyond work place, industrialization produces major changes in the economy. The work force moves from subsistence to predominantly commercial activity. It is in the sphere of work that the impact of industry is most immediately felt. Industrial employment brings a distinct pattern of relationships with machines, fellow workers and superiors. Today it is quite clear the effects of the processes of industrialization are felt in all sectors of the economy, mobilizing a growing portion of national resources for the development of technically advanced economic structures that can produce consumer goods and investment and guarantee its own economic and technological reproduction is a historic imperative for the third world countries; it is the path that should be taken by them in order to have access to development, modern technology and contemporary civilization itself.

The power and wealth of the developed countries are based on industrial advancement, and in consequence it seems to be the aim of every developing country to establish industries. There are various advantages of industrialization. By developing industries a country can provide consumer goods, textiles and other important goods for itself in spite of depending on imports. Increasing self-sufficiency provides major political and economic strength and makes a country more independent of foreign military or economic supremacy. The development of industries may be one way of

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diversifying the economy and the decreasing reliance on one or two primary products which may fluctuate greatly in price.¹ Most of the developing countries are faced with rapid population growth and it is increasingly difficult to provide employment opportunities to all. Farm mechanism and greater efficiency in the agriculture sector will free more and more people from the land.Industrialization is considered to be the best way of providing large numbers of jobs for the unemployed. It is also a fact that industrialization improves living standards. The experience of the already industrialized countries has shown that, as living standards are raised, the rate of population growth decreases, and thus in the long term, as well as the short term, living standards can be enhanced by reducing population pressure.²

Industrial economy emerged as a distinct field after the rise of the large modern manufacturing corporation around the turn of the century. For many years it was generally viewed as an intellectually isolated empirical field without much scope for formal theory or non-routine econometrics. But in the last two decades much of the significant work in industrial economics has been theoretical, and much of it has been produced and consumed by non-specialist.³ Industrialization is always not regarded as globally beneficial. In addition to some of the negative side effects observed in the underdeveloped world, there are the ecological implications of indiscriminate resources exploitation and unrestrained pollution sources of energy, the availability and security of which are no longer ensured. The continued ‘advance’ of industrialization also needs of land, sea and air.⁴

². Ibid., p 510.
2.1.4. Ecology as the Factor for Industrialization:

It is unfortunate that ecological considerations tend to get a back seat in economic planning, particularly while planning for industrial development. Many countries and regions tend to suffer now and have inherited depleted economy due to indiscriminate exploitation of its natural resources. Earlier, unmindful to natural environment and its capacity to recreate and conserve invaluable wealth. More often it is believed that economic development through the process of industrialization, especially the development of large and medium industries, would inevitably result in the degradation of environment, loss of ecological balance and depletion of its rare natural resources. Although freshness of air and water are difficult to capture in a framework of quantification, it cannot be denied that air and water pollution have higher magnitudes of social cost giving rise to escalation of public spending or preventive and curative measures. Environmental deterioration occurs rather slowly over a long period. The benefits of environmental protection are also equally slow to percolate and felt. The policy makers including planners, administrators and political leaders in their anxiety to produce quick results, visible enough to swing public opinion in their favour and private manufactures and traders in short term view of maximizing private profit, tend to be unmindful to the environmental cost and benefits which are no less tangible and of higher magnitudes over long time horizon. Here comes the necessity of prudent and enlightened intervention by the government for protecting and serving environment in the long term economic interests. Sometimes the government itself is responsible for encouraging indiscriminate exploitation of natural resources. Especially during the first three five year plans in India, Government policy towards environmental protection was very week. There was no appropriate thinking
towards such a vital concept of ecological balance as an integral part of development policy.\(^1\) Integration of environmental issues with economic planning of the state especially while programming for various industries, is crucial and should receive top priority from the very starting of survey and preparation of project reports. To check the ecological imbalances, it is also necessary that environmentally negatives be suitably taxed and positive activities be subsidized. Environmental objectives and targets should clearly be specified. While planning for new industries, programming of forestation, cleaning of rivers, avoiding air pollution in neighborhoods and avoiding other environmental hazards be specific target of industrial planning.

All industrial production gives rise to some form of waste. It is a fact that the complete removal of containments is not practical and this leads to pollution. The dilemma arises from the necessity for economic development and the equal necessity of preservation of the environment. The quality of life existing in the West requires commensurate pollution controls. It is relevant to ask whether in India, where the quality of life millions is below the poverty line, such exacting standards are tenable.\(^2\)

Due to rapid industrialization throughout the world and more specifically in the highly industrialized parts of the globe, a threat has become unavoidable concerned with the sustenance of natural resources. Two types of natural resources are available in the world i.e., exhaustible and inexhaustible resources. Exhaustible resources once used are seldom renewed and it takes geological era to replenish. Our resources are meant

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not only for the utilization of present generation but also for the future generation.¹

Industrial ecology is an emerging framework for viewing the relationship between business and the environment. In 1989, the concept of an industrial ecosystem received wide attention with an article in Scientific American. In the publication; two General Motors researchers suggested that the days of finding an ‘open space beyond the village gates’ for industrial by-products were quickly fading and new ways of thinking about wastes and pollution were needed (Frosch and Gallopulos, 1989, p. 144). Since that time, the concept of industrial ecology has spawned an increasing amount of research, discussion and actual implementation. At the most basic level, industrial ecology describe a system, where one firm’s wastes (outputs) become another’s raw materials (inputs). Within this closed loop fewer materials would be wasted.²

### 2.1.5. Industrialization and Environment Degradation:

Due to the advancement of science and technology, which started in 1860 in England, industrialization took place and soon spread over Western Europe and North America. It is a fact that rapid rate of industrial development has given economic prosperity to human society. It has also given new socio-economic dimension as well as has provided material comfort to the people industrially developed countries but it has also created manifold environmental problems.

In the beginning several countries of the western world blindly followed the race industrialization and did not realize its environmental consequences. Both the components of industrial development, e.g.,

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exploitation of natural resources and industrial production have created several lethal environmental problems and have caused large scale of environmental degradation and ecological imbalance at global, regional and local levels in many ways. Exploitation of natural resources in order to meet the industrial demand of raw materials has resulted into (i) the reduction of forest covers due to reckless felling of trees, (ii) reduction in arable land due to industrial expansion, (iii) excavation of land for mining process, (iv) lowering the ground water table due to excessive withdrawal of groundwater, (v) collapsing of ground surface due to withdrawal of mineral oil and groundwater etc. Development in agriculture sector in order to supply raw material to factories such as sugarcanes, cotton etc. has been responsible for over utilization of soils which has resulted into soil pollution due to excessive use of chemical fertilizer and pesticides and insecticides.¹

Beside desired production, there are numerous undesired outputs from the factories such as industrial wastes, polluted water, toxic gases, chemical precipitates, aerosols, ashes and smokes etc. which pollute air, water, land, soil, etc. and degrade the environment. The industrialized countries have increased the concentration of pollutants emitted from the factories in the air, water and land to such an extent that they have degrade the environment to the critical limit and have brought the human society on the brink of its destruction. The adverse effects of industrialization may change the over all character of natural system and the chain effects sometime may become suicidal for human society. Majority of the impacts of industrialization are related to pollution and environmental degradation. The release of industrial waste into stagnant waters of ponds, tanks and lakes into river and seas contaminates water and causes several diseases and death of organisms and

this disturbs ecological balance of aquatic ecosystems. Release of chlorofluorocarbon (CFC) in the atmosphere through the operations of spray dispensers, refrigerators, air conditioners and fire extinguishers is capable of depletion of ozone layer. Increase in the concentration of CO₂ in the atmosphere and depletion of ozone layer may cause changes in weather and climatic conditions of global and regional levels, may cause several damages to plant and animal lives and thus may create ecological imbalance, may cause dangerous diseases like skin cancer etc. Release of toxic gases through attentive and inattentive actions of man causes environmental hazards which destroy all types of life-forms in the affected areas. The Bhopal Gas Tragedy (Dec. 3-4, 1984) and Chernobyl nuclear disaster (1986) are the few examples of disastrous effects of modern industrialization.

Industrialization needs to be sustained at the optimum level. It, of course, is a process which brings rapid stride in the field of economic and social well-being. The third world countries hitherto are deprived in the direction so as to meet the growing needs of population. Industrializing is the most desired way out to enhance the quality of life of the people of the developing countries. Besides various other advantages which obviously out number the demerits, but somehow or the other it has brought tremendous changes in the environment, that suggest the economists in particular to delve the mechanism so that judicious use of natural resources may be made keeping in view the need of the future generation together with eco-friendly methods of production.

Industrialization brings rapid advancement in the society through economic well-being of the people. Developed nations are enjoying utmost

basic facilities of living only because of timely acceptance of industrialization. Developing countries lagging far behind compared to develop one owing to its oblivious attitude towards industrialization. Nevertheless, industrialization brings a sea change in the social milieu of the newly industrialized nations of the world. At the one hand it provides the people with the opportunity of prosperity, happiness and good quality of life and on the other side the fragmentation of age old family system, social values, gap between haves and haves not, and the dismantling of social cohesiveness are altogether at the verge of collapse.

2.1.6. Problems of Industrial Development:

Industrial development has its genesis of the beginning of industrial revolution way back to 1779. It is not the lopsided pattern of development, rather it has to be seen in various other factors like physical, social, economic and political as well. Industrial development is achieved when different sets of factors are brought together. Assimilation of these factors may also be seen in the way which brings an area or a region on the map of the industrial clusters.

Problem of industrial development are traced in various other factors. When a country or a region or any planning commission bodies strive in the direction and field of industrialization, it is observed that different constraints emerge in the way of industrial development. Numerous problems which some times seem to be aggravated and restrict the development of industries are for instance, geographical, economic, social, political and environmental. Geographical factors include climate, relief features, accessibility to and from the site of different raw materials and industries as well. Economic factors are quite vital, as most of the industries and too in developing countries, financial problems, non-availability of raw material and natural resources, market
system and wage are some of the problems which the industrial development is faced with. Social problems are labour and employees relations, strike, trade unionism etc. Political interventions, bureaucratic strongholds, law and order problems, lack of infrastructural facilities, technological know how, preparedness of people to accept the latest innovative measures, fluctuations in fashion and poverty are problems of paramount importance in the development of industries.

Industrial peace is of vital importance for increasing industrial production and for securing economic welfare of the labour and economic prosperity of the country. Economic is the science which studies human behaviour as a relationship between ends and scare means which have alternative uses. An economic problem, particularly in the case of industries, arises because of scarcity of means and their alternative uses. There are various factors which create hindrances in industrial development.

2.1.7. Power Shortage, Market and Technology:

Power is critical input for industrial development; its shortage is a major hurdle in industrial expansion. Therefore, government policy generally bases in the concentration of a substantial rise in generating of power. Development is being a great need of a large market size for any product, which means production without consumption is incomprehensible. So, easy accessibility to market for various products and service is necessary. Technology import can be a speedy route to economic growth. Valuable time is lost in achieving self reliance and technological gap between developed and underdeveloped world increases. Export opportunities remain unexploited and more import skill, scares resources get fettered away by continuance of

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inefficient technology in the intervening period. There exists a considerable body of theory on collective bargaining, industrial conflict, trade unions, workers participation and practically every other question of consequence. Another problem of transfer of technology is that it occupies an important place of the industrialization. The so called transfer of technology really constitutes the process by mean of which the underdeveloped countries rent or purchase of technology they need developing a process of industrialization. It has actually proved to be dependent and divorced, in most cases, from their development needs. Technology turned into one more merchandise and monopolized to a great extent by a small group of powerful countries, has become an element which is nearly impossible for the underdeveloped countries to control and reproduce.

Some time division of labour creates a high level of interdependence between the tasks performed by different categories of workers. The coordination of the tasks of numerous workers in several sections of departments becomes crucially important. Industries need a class of professional managers with trained and mastermind work. Production in large enterprises must necessarily be addressed to a large and Impersonal market. This set the process of monetization and commercialization going in society. In turn, impersonal market forces such as changing taste and preferences and fluctuations in demand being to exert considerable influence on the production process. Family and class favouritism, personal rather than organization loyalties and whimsical administration, are sufficiently common

among the elite groups from whom industrial managers are usually drawn to make the establishment of an efficient administration a halting process. This is not just a problem of the prevalence of sin.\(^1\) Sometime strikes or lockout becomes hurdle in the smooth functioning of growth and development. To make strike completely illegal would be regarded as intolerable, both from the point of the view of taking away a liberty and because strikes cannot be prevented merely by suppression.

The need to develop an efficient system of grievances arbitration has become urgent in the engineering industry. It is due to strike or lockouts, the industrial peace is being disturbed, production declines, production cost rise and labourers suffer hardship due to a fall in their income. The consumers also suffer hardship due to interruption in the supply of goods. Industrial unrest disturbs the tranquility of the country and benefits nobody.\(^2\)

The problem to be solved has many dimensions, but it can be reduced to three main issues:

(i) How to prevent wages and salaries from rising at an inflationary pace;
(ii) How to bring about a more orderly wage structure and
(iii) How to achieve these ends at the same time improve industrial relations.

It is difficult to visualize finding a solution to the wages problem without reference to the governments economic and industrial relations policies. Wage are bound to rise at an inflationary pace of the government's general economic policy is such to promote a demand for labour that outstrips its supply. Most industrial jobs are repetitive, monotonous, difficult and dirty; some are even dangerous. These jobs have to be performed day after day under strict supervision. Workers and management may agree on such general

\(^1\) Hoselitz, FB and Moore, W (1963): Industrialization and Society, UNISCO-Mouton, pp 311-12.
goals as the maintenance of high level of productivity and wages, and the profitability of the enterprise. Disagreement does not necessarily arise only over wages and condition of work. It can revolve around such a wide range of issues as job assignment, work methods, safety, hiring and firing and participation in decision making.

The strike is the most dramatic manifestation of industrial dispute. Generally the standard procedure is to use strike statistics published by governments in all major industrial countries to measure the level of conflict. The other indicators of problem are more elusive and practically impossible to quantify. The expression that problem can find are limitless. Bargaining, grievances handling, boycott, restriction of output, absenteeism, turnover in the labour force, sabotage, intentional wastage of time or material, autocratic suspensions and dismissals, indiscriminate lay off excessive discipline fixing of unofficial speeds whether by management or labour, and the lockout are all manifestations of conflicts.\(^1\) The strike is one of the most difficult social institutions to research. Gouldner observes in his classic study of the wildcat strike: “A strike is a social phenomenon of enormous complexity, which, in its totality, is never susceptible to complete description, let alone explanation”.\(^2\) There can be enormous variation in the reasons of strikes as well as in their manifestations. One of the most common reasons is the demand for a large share in the profits of industry. Workers ask not only for more money but also for more power, so that they may have some control over the conditions under which they have to work.

Inappropriate of the site selection, plant and machinery, inadequate materials control, inadequate maintenance, lack of quality control too hurdle

\(^2\) Ibid. p 131.
in the case of development. Healthy industries need well established market structure where products can easily sale on profit motives but some time due to inaccurate demand forecasting, selection of inappropriate product mix, absence of product planning, lack of market research and inappropriate sales promotion creates lot of hindrances in smooth functioning of industrial development. There where various cases of financial constraints like credit restraints, delay of disbursement of loans, unfavorable investment climate and fear of nationalization obstruct in the field of development. Production constraints occur due to shortage of inputs and import restrictions on essential inputs. Market constraints come under liberal licensing of projects in a particular industry, restraint on purchases by bulk purchasers, excessive taxation policy of government and market recession.

2.1.8. Problems of Industrialization in Underdeveloped Countries:

Certain inhibiting factors present in most of the underdeveloped countries always come in the way of industrialization. The basic economic facilities are one of the major causes of slow process of due to low level of industrialization of these countries development. Most of these countries suffer from the general inadequacy of transport system. Another important physical element, inadequacy of which leads to the obstacle to industrialization, is power. Due to lack of capital in these countries, sufficient investment could not be made in developing difficulty infrastructure. Important economic difficulties of the development of secondary industries in these countries are due to smallness of local market and absence of efficient marketing organization. The social organization of underdeveloped countries invariably contains elements which are not conducive to the rapid growth of secondary industry in these countries. These social factors which hinder economic change in these countries can be considered in relation to the
supply of three factors of production, i.e., entrepreneurial ability, labour and capital. Population is another problem which is infesting the economic landscape of the developing nations. Such demographic phenomenon creates new problems of unemployment, underemployment, seasonal unemployment or disguised unemployment. These are also set back in the case of development. Faulty public administration also handicap industrial development. Too much of redtapism not only wastes considerable amount of true but also dampens the interest of young entrepreneurs. Some international forces may also hamper the rapid industrial growth of underdeveloped countries. Credit and financial institutions which can mop up the capital from those who have surpluses and make it available to the investor in the form of impersonal credit are crucial for development. Industrialization too requires a committed labour force. For industry to exist there has to be a market for its products. Industrial technology is geared to production for an impersonal market. Industry can prosper only if there is political stability. Rationalization is also responsible for industrial development where in business no caste, creed, sex etc. are desirable.

It has been fully analyzed that industrial development has lot more to do in eradicating various other problems coming in way of industrialization. Whatever the hurdles there may be some of the remedial measures will lead to alleviate problems if not altogether possible to get rid of completely. Economists have to realize and put emphasis on suggestive measures of the problems of industrial development. Sustainable development is possible only when there is judicious use of natural resources. Government policies may be

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formulated in such a way that the welfare approach should be accorded priority. Country like India must be adoptive of people oriented programmed while opting for industrial development. Law and order problem is the most emergent issue for the development of industries as it desist investors from investing the required capital. Working environment is also to be assured so that competitiveness may easily be achieved. Industrial sickness and lock out problems are two mere noticeable aspects of the industrial developments which also have to be solved for efficient growth of industries. Development may also be ensured of the political stability with sound economic policies together with globalization and the need of the people of the country are taken into account.

2.1.9. United Nations Industrial Development Organization : Organization of Development Assistance:

The United Nations Industrial Development Organization (UNIDO) was established by the UN General Assembly in 1966 and become the sixth UN specialist agency in 1985. Currently, UNIDO is working in more than 120 countries around the world promoting socially equitable, environmentally friendly and sustainable industrial development in developing countries and economies in transition. UNIDO’s services are non-profit, neutral and specialized. UNIDO consists of 168 members states and has its headquarters in Vienna, Austria.

The global policies and priorities of UNIDO are helping countries to pursue sustainable industrial development. It provides tailor-made solutions to industrial problems by offering services addressing three concerns “Competitive Economy, Sound Environment and Productive Employment” – often referred to as the 3Es of UNIDO. Each key concern is addressed at three different levels, namely the policy, institutional and enterprise level.
2.1.10. Type of Assistance and Programming:

UNIDO supports industrial development in developing countries and economies in transition through technical cooperation, training support, investment promotion services and policy advice. In many countries the assistance is bundled as an integrated package of UNIDO services, which promote competitiveness of economies, productive employment and sound environment. Integrated programmes are packages of supportive service modules mutually agreed and designed to meet the specific needs of the country and assist them to overcome critical industrial development problems at the national level and those of a particular geographic area within a country. In 2000, UNIDO worldwide technical cooperation delivery was US$68.7 million. One-third of the assistance is directed towards low-income economies, and two-thirds to middle-income economies, following the World Bank classification system.¹

2.2. General Industrialization in India:

Industrial development has played a crucial role in India’s development strategy, particularly with regard to the objectives of structural diversification, modernization and self reliance. The rapid strides in industrialization have been accompanied by a corresponding growth in technological and managerial skills, not only for efficient operation of highly complex and sophisticated industrial enterprises but also for their planning, design and construction.

One of the major aims of planned economic and industrial development is to achieve balanced regional development. Reduction of regional disparities in the medium term, and their elimination in the long run, is always conceived as an ideal goal of socio-economic development. Some public analysts

believe that industrialization can contribute to the process to remove out regional disparities.\(^1\)

After independence, the Indian Government has formed with the high hope of building a strong economy with rapid industrialization. But the inherited class structure which determined the nature of the class-coalition wielding State power stood in the way any radical reform measures: the coalition of the landlords-rich peasants class and the bourgeoisie effectively barred the land reform measures, the primary condition for industrialization.\(^2\)

While on the one hand state had to maintain the balance of the class coalition and to make periodic concessions to the exploited, on the other hand it could not change the position of any constituent group too strongly, for that would affect the collective strength of the coalition ... The limits to the state action were sharply drawn and any social structural reform was ruled out. The activities of the landlords-rich peasants also prevented industrial development through various ways, for example influencing terms of trade in favour of agriculture,\(^3\) speculation in food grains and thereby raising wage costs via inflation.\(^4\) Such coalition is likely to affect much more the development of rural industries as the later are closely related to agriculture. It is worth mentioning that land reforms are the vital importance for industrial development. It would unleash productive forces in agriculture raising food grain production and the supply of raw materials to the industries. The other

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important effect of land reforms would be increase in purchasing power of the rural people and thereby demand for manufactured goods.

Industry has a significant role to play in the Indian economy. The importance of this sector was never lost to the policy makers in India, and for reasons of social justice and political expediency, if not of economic efficiency, the general strategy of industrialization has always been spelt out policies and programmes.

2.2.1. Case of industrialization:

When India gained political independence in 1947, it had a strong case for industrialization. A large territory, big and growing population, a highly uneven distribution of national income with its implicit pressure on demand for consumer goods including consumer durables, a modest industrial base inherited from the colonial empire, the presence of a powerful national bourgeoisie, etc., all combined to justify India’s claim towards industrialization. If one were to read the central message in debates and resolutions passed in the 1931 Karachi Session of the Indian National Congress, the 1938 Congress National Planning Committee’s deliberations, the 1944 Bombay Plan, and the 1945 Statement of Industrial Policy (SIP), one discovers that that it was well recognized much before independence that an important task that India would have to undertake after independence would be to give a major thrust towards industrializing the economy.

2.2.2. Nehru-Gandhi Approach to Industrialization:

Two major schools of thought on the approach to industrialization stand out clearly. While Nehru-Mahalanobis model favoured a strategy of building basic and key industries with the expectation of maximizing growth

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rates over the long-run, Gandhi did not think that large factories would be able to solve either the problem of under-employment or that of providing Indian masses with their basic requisites. As is well known, ultimately Nehru-Mahalanobis strategy prevailed over the Gandhian approach and the second plan embarked upon an ambitious programme of building a network of basic and key industries, whose gestation period was long, whose investment requirements were too heavy, and whose growth propelling effects were to flow only after big time gaps. Nevertheless, the merit of Gandhian philosophy was not completely lost to the Nehru-Mahalanobis school, and the ultimate shape in which India’s industrialization strategy emerged did provide for boosting the modern industrial growth at the same time that it sought to support the traditional village industries. India thus chose to ‘walk on two legs’, and this core element of industrialization strategy has stayed on till today.

Against the Nehru-Mahalanobis strategy of rapid industrialization with priority for basic and heavy, urban-based industry, the Gandhian ideology pleaded for restoration of ‘village economy’. This ideology couldn’t conceive of India imitating the West in it economic and industrial growth. To conceive of Indian industrialization largely in terms of mechanized units was, to Gandhi’s mind, both impractical and undesirable. A labour intensive production, based on local labour and materials, could cater more effectively to local needs. Gandhi advocated for self-employed rather than wage labour, the later being rejected as an expression of exploitation of workers by employers.

The two economic ideologies were not altogether incompatible. The early policy makers, therefore, struck a pragmatic compromise between the

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two and the blueprint of the declared industrialization strategy, appearing first under the Industrial Policy Resolution (IPR) of 1948 and then under its counterpart of 1956, clearly demonstrated that traditional rural industries too had a crucial role to play. For example, while heavy industries were given priority, it was duly recognized that the village and small industries had a great potential for labour absorption. These industries were expected to restrain the inflationary tendencies in as much as they could increase their production with minor capital outlays, not only because of their presumed lower capital-output ratio but also because of a widespread underutilization of the existing capacity.1 A high point of the reconciliatory strategy was, therefore, to assign the production of a large range of goods, to village, cottage and small-scale industries. To quote freely from the 1948 Industrial Policy Resolution:

These 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 consumer goods like food, cloth and agricultural implements. The healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organized marketing of their produce, and where necessary, safeguards against intensive competition by large scale manufacture, as well as on the education of the worker in the use of the best available technique .......

The concept of ‘industrial policy’ is comprehensive and it covers all those procedures, principles, policies, rules and regulations which control the industrial undertakings of the country and shape the pattern of

1. Hann, HH de (Sept. 1980): Rural Industrialization in India, Discussion paper No. 54, Erasmus University, Rotterdam, p 2.
industrialization. It incorporates fiscal and monetary policies, the tariff policy, labour policy and government attitude not only towards external assistance but the public and private sectors also. The Industrial Policy Resolution of April 1948 contemplated a mixed economy, reserving a sphere for the private sector and another for public sector. The industries were divided into four categories. The main thrust of the 1948 Industrial Policy was to lay the foundation of a mixed economy in which both the private and public enterprises would march hand in hand to accelerate the pace of industrial development. Since the adoption of this Resolution, significant development took place in India.

The 1948 Industrial Policy Resolution declared that, as a rule, effective control over industrial activities in the country should preferably be in Indian hands. The resolution, however, also stated that ‘participation of foreign capital ....will be of value to the rapid industrialization of the country.’

These important developments necessitated a fresh statement of industrial policy. A second Industrial Policy Resolution was adopted in April, 1956. Important provisions of the 1956 Resolution were:-

(a) New classification of industries: Now the industries were classified into three schedules. Under schedule A, 17 industries were reserved for those which were to be an exclusive responsibility of the state. Under Schedule B, 12 industries reserved for those which were to be progressively state owned and in which the state would generally setup new enterprises, but in which private enterprises would be expected only to supplement the effort of the State; and the schedule C, all the remaining industries and their future development would, in general be left to the initiative and enterprise of the private sector. It spite of this clear cut grouping of industries under three schedules, these categories were not water tight compartments and room for
exceptions could be made. (b) Fair and non-discriminatory treatment for the private sector. (c) Encouragement to village and small-scale industries (d) Removing regional disparities and (e) Attitudes towards foreign capital.¹

Among the broad objectives of the policy and the plans, especially since 1956, the following have figured most prominently, though the emphasis on each has not been the same throughout the period:
(a) Acceleration of the rate of economic growth and the speeding up of industrialization and in particular the development of heavy and machine building industries;
(b) Reduction in disparities in levels of development among different regions;
(c) Prevention of undue concentration of economic power in a small section of the population; and
(d) Protection and encouragement of the small scale sector.

Again, quoting extensively from the 1956 Industrial policy Resolution: The State has been following a policy of supporting cottage and village and small-scale industries by restricting the volume of production in the large scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the State policy will be to ensure that the decentralized sector acquires sufficient vitality to be self supporting and its development is integrated with that of large scale industry. Many of the activities relating to small-scale production will be greatly helped by the organization of industrial co-operatives. Such co-operatives should be encouraged in every way..

2.2.3. 1977 Policy Turn Under Janata Regime:

¹. Dutt, R and Sundharam, KPM (2005): Indian Economy, S. Chand and Company Ltd, New Delhi, pp 76-77.
The tardy growth of industrial sector, in spite of high investment rate, an increasing support of public sector and a highly protected domestic market for a wide range of industrial products, etc. became a matter of public concern. The capital-output ratio witnessed a continuous increase in plan after plan which militated against the Nehru-Mahalnobis case for a capital intensive way of production. Moreover, with tardy industrial growth, the ‘gleaming future’ shifted too far ahead “especially for agriculture workers, small peasants, workers in household industries, etc. As these groups have to bear the main burden of a postponed increase in the level of consumption”.

The Janata Government loudly alleged that the emphasis of industrial policy so far had been mainly on large industries neglecting cottage industries completely and relegating small industries to a minor role. The primacy of village and small industry was to be the prime goal of the new industrial strategy since employment was no more to be given a short shrift.

Janata Government thought of large industry in its 1977 SIP can analyses in addition to village and small industries, there is also a clear role for large industry in India. However, the Government will not favour large scale industry merely for demonstration of sophisticated skills or as monuments of irrelevant foreign technology. The role of large scale industry will be related to the programme for meeting the basic minimum needs of the population through wider dispersal of small scale and village industries and strengthening of the agricultural sector. In general, areas of large scale industry will be: (a) basic industries which are essential for providing infrastructure as well as for development of small and village industries, such as

2. Hann, HH de (Sept. 1980): Rural Industrialization in India, Discussion paper No. 54, Erasmus University, Rotterdam.
steel, non-ferrous metals, cement, oil refineries; (b) capital goods industries for meeting the machinery requirement of basic industries as well as small scale industries; (c) high technology industries which require large scale production, and which are related to agricultural and small scale industrial development such as fertilizers, pesticides, and petro-chemicals etc; and (d) other industries, which are outside the list of reserved items for the small scale sector, and which are considered essential for the development of the economy such as machine tools, organic and inorganic chemicals.

2.2.4. 1980 Policy Re-thinking by Congress:

With the return of the Congress to power in 1980 things started changing fast, although only on an incremental basis. The economy had grown fairly satisfactorily for most of the 1970s yet the 1979-80 oil price shock alone upset the balance of payment situation in a big way. It was now getting clear that India could no longer afford the luxury of a highly protective industrial policy regime. To promote domestic industries as an alternative to imports, productivity and quality aspect could not be ignored. For raising productivity, the whole range of bottlenecks had to be removed; the restrictive and complex features of the industrial licensing policy were held responsible for production bottlenecks in many areas. It is understandable, therefore, that the July 1980 SIP was an interesting mingle of political statements aimed to demonstrate government’s eagerness to attain social justice in economic development and, at the same time, covertly supporting the resumption of the country’s uninterrupted growth through optimum utilization of existing capacity as well as expansion of industries. ¹

Among the many objectives set out under the 1980 statement, higher employment generation, promoting economic federalism and preferential treatment to agro-based industries, need to be underlined in particular. The new idea of federalism was introduced in as a counter to Janata Government’s artificial division between small and large industry. Thus, the 1980 SIP sought to link small and ancillary enterprises with large industries.

“But it fell into the same trap that previous policies did when it said that the nuclei would also ensure a widespread pattern of investment and employment and would distribute the benefits of industrialization to the maximum extent possible. It failed to set forth a logical and feasible policy for creating employment opportunities and spreading industrialization into industrially backward areas in accordance with overall development policy. The role of creating larger employment and attaining more equitable distribution were again turned over to the small and ancillary enterprises without regard for the capabilities and effectiveness of these industries”.

A few notable changes occasioned by the 1980 SIP were: (1) excess production capacity in certain areas including mass consumption goods industries were allowed; (2) large industrial groups and foreign companies were no longer barred from entering the fields of productions hitherto restricted to small scale enterprises on the condition that such production would promote exports, and (3) the backwards areas industrial development programme was intensified through investment, subsidies and infrastructural improvements. The programme of industrial development of backward areas was especially welcome by state governments who vied with one another in promoting industries in districts which were not necessarily remote or

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industrially disadvantaged but were industrially promising. This leads to increase the regional unevenness in industrial development.

2.2.5. The Crisis in the Economy:

Recognizing that something had got wrong in the industrial economy of India, the period of second half of the seventies was characterized by "official reflection" as well as an academic debate on the possible explanations of the poor industrial performance. After an extensive and intensive scrutiny of the available evidence, I.J. Ahluwalia identified three principal factors responsible for the poor performance.

These factors were: (1) underinvestment in infrastructure sectors such as power and railways and poor efficiency in the use of resources in these sectors; (2) slow growth in per capita incomes in the agriculture sector limiting the potential for demand of industrial products from that sector; and (3) the industrial policy regime encompasses both domestic controls and trade policy measures.

The external debt crisis which surfaced in early 1991 brought India close to default. The manifestations of this crisis were by no mean unusual. A deep fiscal crisis was just exposed with an almost unmanageable balance of payments situation and acceleration in the rate of inflation. For a foreign exchange constrained economy that always lived a hand to mouth existence in terms of external resources and relied on foreign capital inflows at the margin to finance the process of development, a difficult balance of payments situation was nothing new. This time around, however, the problem was both more acute and more complex. For one, the magnitude of the financing need was much larger. For another, the fragile balance of payments situation

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1 Ahluwalia, IJ (1985): Industrial growth in India; Stagnation since the Mid-sixties, OUP, N Delhi.
coincided with, and was partly the outcome of, a deep macroeconomic disequilibrium. This crisis in the economy, not attributable to any significant endogenous or exogenous shock, was bound to disrupt the growth process and endanger the price stability.

The origin of the crisis can be traced to the large and persistent macroeconomic imbalances during the 1980s. The widening gap between the income and the expenditure of the government led to mounting fiscal deficits which were met by borrowing at home. The steady increase in the difference between income and the expenditure of the economy as a whole meant persistent current account deficits in the balance of payments, inevitably financed by borrowing from abroad.

The problem associated with these macro-economic imbalances were sharply accentuated, and perhaps brought forward in time, by the impact of the Gulf crisis on the economy in the late 1990. This coincided with an uncertain and disturbed situation in the policy which was followed by a prolonged political interregnum. Taken together, these developments led to an erosion of international confidence in India.

The fiscal crisis was neither an accident nor a coincidence. It was a direct consequence of the financial profligacy on the part of the government. This fiscal deficit had to be met by borrowing, mostly from the Central Bank and the people of India. The balance of payments crisis were neither sudden nor unexpected. It was man made and policy induced. The liberalization of the trade regime of industrial policies introduced in the early 1980s taken together created incentives for import intensive industrialization and increased the import intensity of production.\(^1\) The second half of the 1980s

also witnessed a surged in imports for the defense sector. During this period, export performance was at best modest while the growth in remittances tapered off and import substitution in the petroleum sector slowed down.

India thus come closes to default. The government was indeed reduced to last resort measures such as using stocks of gold to obtain foreign exchange, seeking emergency bilateral assistance from donor countries and borrowing under special facilities from the multilateral financial institutions. It is obvious that the soft options adopted by the government in the second half of the 1980s claimed their pound of flesh. Instead of introducing real correctives to manage the balance of payments, the short term debt was incurred mostly to finance imports of petroleum while the non resident deposits and borrowing in international capital markets were used to sustain import liberalization and defense purchases. External resources were, of course, fungible in use but current account deficits were financed by burden of debt servicing ultimately eroded international confidence in India's capacity for repayment.

The root cause of the fiscal crisis, however, was the revenue expenditure outpacing the revenue receipts. The financing of this revenue deficit through borrowing meant that borrowing was used to support consumption expenditure. Given the existence of capital expenditure on defense and the social sectors, which did not fetch tangible returns, the rate of return on public investment elsewhere had to be extraordinarily high for it to yield a net income flow to the exchequer.¹ Other factors too contribute to industrial stagnation. These are (a) slow growth of agricultural income and their effect in limiting the demand for industrial goods,(b) the slowdown in public investment after the mid sixties with its particular impact on

infrastructural investment, (c) poor management of the infrastructure sectors leading to severe infrastructural constraint, and (d) the industrial policy framework, including both domestic industrial policies and trade policies and their effect in creating a high cost industrial structure in the economy.

Lack of competition, increasing bureaucratic style of functioning and lack of profit motivation led to slow growth of public sector. The Indian economy slowly started becoming high cost and the capital output ratio started climbing up. The increasing emphasis on autocracy under the garb of self reliance further led to uncompetitive production. South Korea from 1960 itself had a market and export oriented economy. The result tells their own tale and there is no room for doubt that an open economy with a vibrant private sector and with healthy competition internally and externally can do wonders. The gulf war in 1991 brought India's economy to a virtual standstill. Economic growth slowed down to almost zero. Industrial growth turns negative. Inflation picked up. Imports were squeezed and a restrictive monetary policy further enhanced the recession.

2.2.6. Restructuring Under 1991 Reforms:

It is true that despite a decade of incremental reforms, India at the end of 1980s still had a tightly regulated manufacturing sector. In July 1991, as a part of economic restructuring and liberalization programme, a new industrial policy was announced by the newly installed Congress government. Many of the World Bank recommendations were forthrightly implemented. The New Industrial Policy announced by the Government of India to fulfilled a long-felt demand of the corporate sector for declaring in very clear terms that licensing was abolished for all industries except 8 industries. For example, industrial licensing was completely abolished; licensing for capacity expansion by existing units was also abolished for all except 18 industries
which accounted for only 20 per cent of the manufacturing output; the number of industries reserved for public sector investment was drastically reduced from 17 to 8; the MRTP Act was amended to lend a free hand to big firms for expansion, diversification and merger, most importantly, administrative and regulatory barrier to entry, expansion and modernization by industrial units were also drastically reduced. Until the close of the 1980s foreign direct investment was a mere trickle. Numerous cases of bottlenecks created by the bureaucracy were struck down by this singular decision of the government. In this since, the industrial policy was welcome because it took the bold decision to end the license permit raj and save the entrepreneurs from the clutches of the bureaucracy of the country to start an undertaking. All these provisions were welcomed by the business circles. There was thus the overall relief in the dismantling of industrial licensing and regime of controlled. The new industrial policy sketched out an elaborate list of industries in which ownership up to 51 percent, by both existing and new foreign companies, was freely permitted. Private domestic and foreign investment in oil, gas and power industries was also welcome. Clearance for technical collaborations could be almost taken for granted. ¹

The minimal requirements for a New Industrial Policy should be to bring about an environment which fosters domestic competition and encourage cost and quality consciousness. As far as foreign competition is concerned, it is important to ensure that protection must be not given haphazardly and must certainly not be permanent. As a general rule, were the growth objective needs to be sacrificed for some other more important

objective, a careful cost calculation must be made so as to achieve the 'more important' objective with minimum sacrifice of efficiency and growth.

Public sector too faced big changes. Under the new regime, it was expected to:
(a) Strengthen its managerial autonomy and show concrete 'economic results'.
(b) Faced increased domestic private sector competition in productivity and return to investment and international competition in tradable goods through reduction of protection;
(c) Absorb gradual elimination of budgetary support from government to meet enterprise losses;
(d) Partially disinvest equity in selected enterprise to inject a greater degree of accountability and performance-consciousness; and
(e) Effect restructuring or closer of patently unviable enterprise while mitigating the social cost of adjustment by instituting a social safety net, and so on.¹

Growth of the infrastructure sectors is a critical pre-requisite for a sustainable growth of the economy. Investment into these sectors have accounted for a major share of public spending for most of the last fifty years. Adequate cost effective and quality infrastructure is crucial for economic growth and development. It also affects international competitiveness and flow of direct international investments. The ongoing economic reforms, thus, attach a high priority to the better utilization of the existing infrastructure

assets and fresh development also, in order that existing bottlenecks do not inhibit the overall economic growth and export dynamism.¹

The new economic policies have two distinct aspects. First is the reorientation of the economy from the state, centrally directed and highly controlled economy to market friendly economy. A second aspect of the current reform is macroeconomic stabilization. This involves reduction in budget deficits as well as use of specific instruments of macroeconomic objectives.

2.2.7. Assessment of the New Economic Policies:

There is widespread among both Indian and foreign investors that business opportunity in India improved after 1991. More specifically, the following positive effects on private industrial investment-including foreign investment-and international trade have often been emphasized as outcomes of the industrial policies:

(1) Costly and time consuming controls have been abolished. Until 1991' the industrial approval system implied that private investors and company had to spend considerable time and resources to obtain the necessary clearances. Most big companies had to maintain a special lobbying unit in Delhi to deal with government officials both formally and informally to speed up the approval procedures. After 1991, much fewer approvals are needed from the central government. Most clearances which are still required can be obtained at state government level.

(2) It has been made easier for big companies to expand. Monopolies and restrictive trade practices legislation has been radically changed so that even big companies with market share above one-third can expand their production and sale without prior approval from the government.

(3) Several sectors which used to be reserved for the public sector have been opened up for private investment and in some of the sectors special incentives are offered to foreign investors.

(4) Foreign majority ownership is now allowed as the general rule while before the general rule allowed only 40% of foreign ownership.

(5) Quantitative import restrictions have been abolished and tariffs lowered. On average, weight tariffs were brought down from 87% in 1991 to less than 30% in 1997.

(6) Convertibility of Rupee on the current account has been introduced. This is not particularly important for foreign investors. They have for long had the opportunity to repatriate profit without restrictions, and when investments have been financed in foreign exchange there have been no difficulties obtaining hard currencies for import. But seen from the perspective of Indian promoters, this change of policy has been an improvement.

Economic policies generally and industrial policies in particular have a major role to play in achieving viability in external payments, attaining a sustainable pattern of energy use, and providing gainful employment to all job seekers. The highest priority today is to get the pattern of India's industrial development programme to move away from the energy intensive and import intensive path pursued in the past. From the point of social transformation, the most important element in industrial policy has to do with employment orientation. The pattern of industrial growth needs to be such as would create adequate employment opportunities for our expanding workforce. Finally, an avowed objective of policy is the achievement of self reliance with regard to the balance of payments and, thus, in achieving a self sustaining pattern of growth. A reduction in the energy intensity of industrialization process would
also help to attain viability in external payments. To the extent that the import of primary sources of energy is today the single largest element of India current payments, a less energy intensive path of development will automatically help to improve the balance of payments. The primary objective of policy would therefore be to search for industrial processes-and an industrial pattern-which would be less energy-intensive, more employment intensive and yet capable of improving the overall factor productivity of the Indian economy.

What is necessary in his context is, first, the up gradation of technology; second, the reduction of input costs; and finally, domestic Research and Development and design engineering to keep ahead insofar as competitive domestic manufacturing capability is concerned.

A basic requirement in this context is the intermeshing of design engineering capability with long term investment plans and more importantly, focus on domestic manufacture and supply of equipment, which would help to improve capacity utilization, makes for better maintenances of equipment, and, all in all, leads to greater productivity.

It may be stated that the industrial policy may be able to attract foreign investment and give a boost to domestic investment, but whether it will lead to more employment along with higher output growth is doubtful. Besides, excessive freedom to foreign capital may ultimately affect India’s economic sovereignty and also push the country into a debt trap further.

2.3. India’s Small Industry Policy in the 90s:

India’s small industry policy and small-scale industrialization have been a widely known phenomenon. The relative merits of less capital intensity and more labour absorption capacity, among others, have endeared the sector to the policy makers as an instrument to achieve a variety of
economic objectives such as employment generation, production of mass consumption goods, balance regional development, equitable distribution of income, etc., since India independence.

In the pre reform era (1947/48-1990/91) when Indian economy was subjected to controls and regulations, small industry policy emphasized protected growth of the sector with a two pronged strategy: developing institutional network and offering protective benefits. As consequence, quantitative performance assumed importance. In the process, quality and efficiency suffered. The onset of economic reforms in 1991 necessitated a change in the direction for small industry policy. To combat the emerging competitive environment, redefining the small industry policy became imperative: qualitative performance could have been ignored only at the sector’s own peril. The sustained quantitative performance of SSI in the early 90s encouraged the scope for policy diversion. India’s shifting policy emphasis towards improving competitiveness is welcome considering the rapid technological changes, which revitalized and modernized even the traditional small industries in the developed world. However, to achieve the objective there is a clear need to develop a system with institution and built-in mechanism in which enable small industry to achieve technological improvements constantly.

2.3.1. Small Project, Large Dream:

The policy makers’ right from the beginning identified the multidimensional merits of small industry promotion for an underdeveloped economy like India. Accordingly, small industry got official recognition as soon as India attained independence. Small industry was assigned a crucial role in India’s economic development strategy by the Industrial policy Resolution (IPRs) of 1948 and 1956. The IPR, 1956 outlined: “The
Government of India would stress the role of cottage and village and small-scale industries in the development of national economy. In relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide 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 will remain unutilized. Some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small centre of industrial production of all over the country”.¹ The policy emphasized to encourage to small industry to acquire sufficient vitality to be self-supporting and its development to be integrated with that of large-scale industry. The policy further stressed the need to improve competitive strength of small industry through technology improvement and modernization.

Initially, the accent was, therefore, laid on creating a conducive climate for setting up new units and for the modernization of existing units. Besides, the programme of small industry development was conceived mainly to protect small industry from competition from better organized large scale units by providing subsidies and preferential excise duties.²

The subsequent small scale industry policy was formed mainly on the basis of the recommendations of (i) Team of Ford Foundation Experts and (ii) The village and small industries committee (known as Karve committee). To implement of recommendations of the former for an effective countrywide industrial extension service, towards this ends, the all India Small-scale Industries Board was constituted as an advisory body and the Development

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3. Ibid.
Commission for Small Scale Industry (DCSSI) was established in 1955 to coordinate and execute the policies of the Government of India. The implementation of Karve Committee recommendations led to the emergence of protective measures such as (a) product reservation for small industry manufacturing, (b) product reservation exclusive Government purchase, (c) price preferences, (d) differential taxation, etc. In the subsequent years, India evolved a comprehensive policy for small industry based on institution on the one hand protective measure on the other.

During this period, the small industry performance was successively hailed, as its contribution in terms of employment, production and export increased remarkably. Quantitative performance appeared to have been the major criteria for the sector's performance evaluation.

But in the meantime, empirical studies brought out the deficiencies of the policy with reference to small industry performance. Kashyap found that the high growth of the sector was hardly accompanied with efficiency and innovativeness. According to him, the assistance arrangements were wasteful, ineffective and even counter productive. The growth of the sector to the policy bias against largeness. The role and impact of Government machinery on small industry promotion has also been questioned by Desai and Taneja. Their conclusion indicated that the system built up by the Government of India to assist small firms seemed to help the wrong firms, benefit them at the

expense of the consumers, and create a bureaucracy with no essential function. Further, Nanjundan pointed out that the quality of infrastructure and services provided for small industry in India leaves much to be desired and undoubtedly affects adversely the operation of small enterprises. According to Vepa, the institutional network established for the promotion and growth of small industries in India in conceptually comprehensive but weak in the field. These, in brief bring out that Government institutional infrastructure is ineffective.¹

Despite policy bias in favour of SSI and comprehensive institutional network, Indian small industries achieved little in terms of technological progress. Therefore, among others, Subramanian called for a change in the direction of policy and targeted efforts away from the present one saddled with product/price reservation towards technology development.²

All these bring out three major issues related to India’s small industry performance during 1948-91. (a) Ineffectiveness of Government machinery. (b) Misdirected focus of Government policy particularly in terms of protective measures, (c) The consequent absence of technological improvements in small industry sector.

2.3.2. Small Industry Policy and Performance in the 90s: Changing Strategy?

The New Industrial policy introduced in July 1991 marked the beginning of economic reforms in India. The basic elements of industrial liberalization comprised the elimination of all entry barriers to most industries as well as the associated constraints on scale and technology. Industrial

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liberalization was complimented by trade liberalization in the form of drastic reduction in customs duties and removal of restrictions on imports on raw materials, intermediates and capital goods. The resulting environment anticipated being competitive to the hitherto protected small industry. This necessitated a new direction for the long-term development of the sector.

It is perhaps with this objective that an exclusive policy for small industry was introduced in August 1991. Apparently, the policy does not signify any major deviation from the past. But a minute perusal does indicate that the policy intends to promote competitiveness of the sector more than any thing else. Unlike in the past, the policy does not contain mere intentions of Government. It has proposed clear guidelines to deal with the three major areas of concern for the sector: (1) finance (2) marketing and (3) technology.

2.3.3. **Major Problems of Small Scale Industry:**

As per the Special Group report, the major problems faced by the SSI sector relate to: (a) Credit, (b) Infrastructure, (c) Technology, (d) Skill Development and (e) Marketing. The indicators of autonomous growth in recent times have been stifled due to the impact of WTO agreements affecting India, like removal of Quantitative Restrictions (QRs), dumping of certain goods/items, power related inadequacies and credit related insufficiencies, etc. the employment generated through induced measures can serve as a useful supplement to the autonomous measures.

The problem of small industry in these areas is closely interlinked: It is due to rather ‘insufficient’ quality that small industry units face the problem of marketing. To improve quality, many of these require going for technology upgradation and modernization. This, in turn, demands enormous amount of funds. Even after modernization, to sustain competitiveness, small industry should have access of technology information. If these are taken care of, then
what small industry need is marketing assistance or information on marketing opportunities.

The small industry policy has attempted to address itself to these problems. What is significant is that the policy carved out greater scope for the involvement of state governments and particularly, industry associations. All these portended that the emphasis of small industry policy in the 90s will be on competitive growth rather than on protected growth.

As consequence, there were widespread fears that economic liberalization would adversely affect the growth of small industry in the short run, if not in the long run. In the process, employment generation, small industry production and export contribution- the prime pillars of small industry achievements thus far, were anticipated to decline. That is to say, diverse focus on qualitative performance to accelerate the quantitative performance in the long run led to the interpretation that quantitative performance is likely to get affected in the short run.

But contrary to all apprehensions, small industry could sustain its quantitative performance in the 90s. The unhindered growth of small industry in terms of units, employment, production and exports in the 90s implies that economic liberalization and the resultant competitive environment have not been affecting small industry performance adversely. This is significant because by the 90s, some of the protective measure have been either frozen or dismantled.¹

It is at this juncture that the Government initiated several measures to strengthen the competitiveness of small industry, in pursuance of the Small Industry Policy, 1991. Most of these measures are related to technology upgradation and modernization, finance and marketing.

It appears that Government is evolving a focused approach for small industry development in the 90s. This, intern, have three dimensions:

1. The problems of small industry are vast and varied. To evolve an effective approach, it is appreciate to concentrate on major areas of concern, supplemented by efforts to deal with the rest. Accordingly, new policy initiatives are primarily aimed at technological transformation of the sector along with the provision of financial and marketing assistance.

2. The small industry units are widely scattered. It may not be possible to attend to their major problems across the country simultaneously to enhance competitiveness. Therefore, policy initiatives do indicate that they are cluster based some extent.

3. To have an effective policy implementation, the involvement of the sector itself is crucial. To ensure that, industry associations have been assigned a major role, wherever possible.

Thus, there is a significant change in the overall strategy for small industry development. Prior to 1990s, small industry development was perceived mostly in terms of protected growth. But now the emphasis is on competitive growth. To achieve this objective, the evolving strategy involves small industries themselves with a focus on cluster for technology upgradation and modernization.

It may be too early to judge the sufficiency of the strategy to bring out the desired outcome. But, internationally rapid technological changes are revitalizing the small scale sector and it is perceived that the future role of small industry will be based on competition, productivity and efficiency.¹

Considering this, the shifting policy emphasis in India is a heartening development. However, the technological transformation of the entire small industry sector to enhance competitiveness is a gigantic task. This is more so if one view the global development in the light of the quality of infrastructure and its overlapping functions in India. Nanjundan emphasis that the use of micro-processors has brought about a technological revolution and affected manufacturing methods and enterprise organization in developed countries in a significant way which tends to favour small-scale production. This technological revolution- known as flexible manufacturing system (FMS)- will be the most important development affecting small industry development in developing countries in the coming one or two decades.¹

In the light of these developments, India’s evolving strategy of focusing on small industry clusters involving small industry associations, primarily for technology development appears appropriate. But a perusal of programmes and institutions involved in the implementation of this strategy reveals that there is overlapping of functions between institutions. The overlapping of functions must be avoided and there should be central co-ordination for these programmes. The strategy has to be pursued more rigorously.

Further, there are two other equally important requirements: efficient government institutional support and effective R&D Network. If past experience is any indicator, the competence of the existing institutional set up to realize the changed policy focus needs to be examined. An entire revamping network may be essential. Industry representatives may be involved in the functioning of Government agencies.

The concessions and benefits should be targeted towards the modernization of small industry units, instead of towards protection. Even in the era of liberalization, there is a strong case for R&D subsidies for small industry.

There is also an urgent need to develop a centralized R&D facility for small industry, since individual small industry units will not be in a position to incur heavy investments for technological innovations. The proposed R&D subsidies should be an incentive for small industry units to make use of such centralized R&D facility.

Small Industrial Development Organization (SIDO) should undertake studies periodically to take account of global technological changes in small industry. These studies should be diffused across the country through SISIs and DICs. These steps will strengthen the evolving strategy for small industry development to become much more result oriented.

2.3.4. Summary:

The characteristics of small-scale enterprises favourable to achieve the desirable socio-economic objectives led Indian Policy makers bring the sector to the central focus as part of the economic development strategy soon after independence. The subsequent thrust on institutions for promotion and incentives feature of India for protection became a distinctive small industry policy. The policy become comprehensive in terms of institutions, programmes and incentives by the 80s and in the process of its implementation, protected growth assumed significance.

The consistent and impressive growth of the sector in terms of unit’s and employment, output exports led to the impression that the path pursued so far for small industry growth was successful. But small industry performance in terms of dynamic efficiency was rather dismal.
It was the introduction of economic reforms in 1991, which hinted a turnaround in India’s small industry policy. The sustained growth of small industry in the 90s give ample scope for the Government to further shift the policy emphasis from protected growth to competitive growth. Though the steps taken so far to improve the technology of small industry are heartening, special attention must be paid to take account of the global changes occur in small industry and enable domestic small industry to enhance competitiveness on the continuous basis. The Government support machinery has to be revitalized; effective Research and Development network needs to be developed and small industry associations have to be involved intensively.

Small scale industries have acquired pre- eminent position in the economic structure of the country and help the economic development and removal of disparities. It is the symbol of Indian economy and reflects production by masses rather than mass production. As of today this sector has 34 lakh units which are 95% of industrial units in the country and producing over 7500 different items. The sector contributes about 40% of value added in the manufacturing, 34% to the export, gainful employment to 177 lakh persons and 7% of GDP. The average rate of growth of production is estimated at 7.7% and employment is about 3.7% per annum during the Ninth Plan and the target for the Tenth Plan has been kept at 12% and 8% (GDP). The sector blossoms into an epitome of excellence and harbinger of a new egalitarian society.

The SSI sector has proved its mettle in the changed liberalized economic environment of the country. The gradual and impending application of WTO Regulations and removal of quantitative Restrictions have added to its woes. With decline in agricultural employment and virtual stagnation in
the organized manufacturing sector, employment in this sector has emerged as the only ray of hope. 

In no country, however, has the doctrine of small industry received such strong official support as in India. There are a number of reasons for this. The most important is the legacy of Gandhian teaching. In addition, the very wide distribution of existing small industry in India, the great pressure of population, and the shortage of capital have all tended to direct attention towards the small scale sector as a possible means of increasing output employment in Indian industry for at least the next few decades.

The small scale sector is growing fast and is capable of addressing itself to the basic problem of Indian economy i.e. unemployment and regional development. There is ample evidence to suggest that it will continue to play an increasingly important role in industrial development of the country. The sector is ideally poised to attract both technology and funds to ensure rapid growth and sustained process of technology up gradation and quality improvement in future. The plan objective of economic growth with social justice was kept in view in the overall strategy of industrial development. In the context of the major problems of poverty and unemployment faced by the Indian economy, the development of Small Scale Sector (SSI) was considered essential because of its being labour intensive having implications for equity, flexibility, capability to contribute decentralization, to promote entrepreneurship, optimum use of local resources and talent etc.

The capability of Indian SSI products to compete in international markets is reflected in its share of about 35% in national exports. In case of items like readymade garments, leather goods, processed foods, engineering items, the performance has been commendable both in terms of value and

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their share within the SSI sector while in some cases like sports goods they account for 100% of total exports.

The Small Scale Sector is poised to be the engine of employment generation in next ten years as is clear from the projections made by the Working Group on Small Scale Industries for the Tenth Five Year Plan.

The process of liberalization and market reforms has created wide-ranging opportunities for the development of small-scale industries. At the same time changing world scenario has thrown up new challenges to the very existence of the sector. The need of the hour is to suitable strengthen the sector so that it could adopt itself the changed environment and face the challenges boldly and effectively. The sector, however, faces formidable challenges today not only from multinational but also from large domestic players. The gradual and impending application of WTO Regulations and removal of Quantitative Restrictions have added to its woes. The peculiar characteristics, inherent strengths, latent capabilities and survival instincts of the sector have enabled it to weather surrounding so far. With liberalization of the economy and its assimilation into the globalize world economic order latest and state of the art technology needs to be adopted by new units coming up in the sector, while the existing ones require to carry out technological upgradation from time to time to enhance their competitive strengths. The need of the hour is Technology Upgradation.
Chapter -3

Industrial Policy in West Bengal
Chapter- 3

Industrial Policy in West Bengal

West Bengal, once the industrial and economic hub of the country, is now poised for accelerated industrial growth after overcoming the number of historical and socio-political constraints. A conducive environment has been created for new industrial investment and for modernization and rehabilitation of existing industrial units in the State. Perception of opportunities in West Bengal by the investors has been improving rapidly and the State is considered by domestic as well as foreign investors to be one of the best destinations in the country. West Bengal today is a land alive with new opportunities. Its location is strategically important as it is the gateway to the eastern and north-eastern regions of India as well as South East Asia.¹

Availability of basic raw materials, skilled human resources and relatively developed infrastructure were traditionally the advantages for industrial activities in the State. Over several years in the past there has been serious discrimination at the national level against the State in the grant of industrial licenses. The deliberate policy of selective freight equalization has also deprived the State of its comparative locational advantages. The discriminatory use of controls over the Financial Institution and the apathetic attitude towards Central Public Sector Undertakings by the Union Governments in the past are some of the glaring examples of an inexplicable bias against the interest of the State.

Bereft of adequate powers to facilitate promotion of investment in the medium and large scale sector, the State Government made conscious efforts made for ensuring growth of the cottage and small-scale industrial sector. Recently with partial deregulation of industrial licensing regime, State could avail of the opportunity of somewhat independently planning for development of medium and large scale industries. Due to adoption of a number of measures, new industrial possibilities are emerging in the State.

In the recent years the efforts of the State Government were directed towards setting right the misconception of the investors related to the prospects of West Bengal. In this process State has been able to get spontaneous support of various Chambers of Commerce. With a view to increasing international trade and investment, the State Government and the Chambers of Commerce and industries regularly interacted with visiting foreign delegation to explore the possibilities for collaborations, joint ventures and technology transfer. The Indo-US Joint Business Council held on 10-11 December, 1997 in Kolkata. High level delegations from Bangladesh and Nepal also participated. The West Bengal Government wants new technology and investment in selected spheres where they help West Bengal economy and which have of mutual interest. State welcome private sector participation in industrial projects well as in industrial and social infrastructure. The State also desired foreign participation in the field of technology and in the areas of mutual benefit. During the last several years the State Government has succeeded in establishing close contacts with internationally reputed companies of Japan, USA, UK, Germany, France and Italy.

The State Government has formulated a number of promotional and administrative measures to further strengthen the State’s comparative
advantage. The State Government has set up a Cabinet Committee on Industry to facilitate industrial investments and to cut down bureaucratic delays. It also recommended additional incentives for important projects. An export promotion cell is also operating. At district level, committee has been setup to assist industrial investors, specially in arranging suitable land for industries. Shilpabandhu, single window facilities under WBIDC, has been successfully catering to the needs of the investors at one place. In order to encourage private participation in key infrastructure projects, West Bengal Industrial Development Corporation (WBIDC) has formed a joint sector company with ICICI called I-WIN. I-WIN has identified many projects which are expected to be commercially viable. These projects includes transportation corridors, financial service center at Kolkata, augmentation of water supply and urban facilities at Haldia, theme and sector specific industrial estates.1

The New Economic Policy followed by the changed industrial scenario in the country as also the West Bengal Government’s own proposal for an alternative economic policy call for a statement of policy by the Government of West Bengal on the vital issues of industrial development, rehabilitation of sick units and generation of employment opportunities and protection of the legitimate interest of the labour.

3.1. Perspective:

West Bengal has a well-developed communication network encompassing an extensive railway system, domestic and international airports, modern ports, national highway, etc. For industrial exploitation the raw materials available are coal, iron and steel, agro-horticultural produce, plantation crop, agro-waste, marine products, hides and skins etc. mineral like

dolomite, limestone, lead, zinc ores and granite are in abundance, while water is plenty. Indeed, the State’s natural wealth is amongst the best in the country.

Since industry is the Union list and financial institutions are under the Central Government. Industrialization in any State is crucially dependent on the policies at the national level. Over several years in the past, there has been serious discrimination at the national level against the State in the granting of industrial licenses. The deliberate policy of selective freight equalization has also robbed the State of its comparative location advantage in termed of important industrial raw materials, such as steel and coal. Similarly, the credit-deposit ratio of the nationalized commercial banks in West Bengal has been kept unreasonably depressed at 46.5%, below the national average of 60%. There has also been a palpable discrimination in the direct investment of the Central Government in the State. For instance, while in 1981, the share of West Bengal in total Central investment in the country had been 8.2% and that of the comparable State Maharashtra at 8.6%, in 1991-92 the share of Maharashtra increased to 16.3% but that of West Bengal came down to 7%. Even this discriminatory policy in the sphere of banking and central investment persists.

Thus, the natural advantage that the State had was lost leading to flight of capital from the State of areas which were benefited by fright equalization and the licensing policy and in the some measure due to location of headquarters of major financial institutions as Mombay and elsewhere.

3.1.1. Approach of the Left Front Government:

After coming to power in 1977, the left Front Government identified certain thrust areas for the overall development of the State and protection as
well as promotion of employment. The conscious policy of land reforms along with the simultaneous support in terms of provision of non-land inputs, such as irrigation facilities, improved seeds, fertilizers etc. as also the process of democratic decentralization through the Panchayati Raj System brought about a major breakthrough in the sphere of agriculture and allied sectors. At the same time, due to the growth of agriculture and allied sectors a potential for industries catering to agricultural inputs as well as industries related to agro-processing, horticulture, etc. has been significantly increased. The growth curve for these industrial potentialities is sharply rising.

Considering the importance of the potential for generating employment and income all over the State by harnessing local resources and skill, a conscious policy for promotion of cottage and small-scale industries on an extensive scale was evolved. Simultaneously, policy initiatives were taken to promote the establishment of electronics industry in the State. Unfortunately, the efforts of the State Government in involving the Government of India in this process did not succeed. To facilitate promotion of modern industries besides ensuring downstream employment, the petro-chemical project at Haldia was conceived. West Bengal efforts in securing necessary assistance from the Government of India for this prestigious project, however, did not fructify for eleven years. Simultaneously, with the process of promoting new industries in the large, medium and small-scale sectors, concerted efforts were made for the rehabilitation of a large number of sick units abandoned by the private sector. It was thus possible to protect productive employment of very large number of workmen in jute, textile, engineering and pharmaceutical industries both through the Government of India as well as directly by the State Government.
The State Government, however, continued to highlight at the national level before the National Development Council (NDC), Planning Commission etc. the adverse impact of the licensing policy and freight equalization steel and coal that had resulted in regional imbalance.  

3.1.2. The Economy Policy and the Approach of the State Government:

The New Economy Policy of the Government of India brought about mixed reactions in the country. The State’s considered views in respect of this economic package of reforms are well known and an alternative proposal based on self reliance has been suggested by the State Government without isolating India from the global economy. While continuing to advocate a change in some important aspects of this New Economy Policy, West Bengal must take the fullest advantage of the withdrawal of the freight equalization policy on steel and the delicensing in respect of many industries.

As a result of the New Economic Policy, indigenous technology and Indian industries are exposed to the rigors of global competition. Development of indigenous technology may as a result be thwarted and local products rendered less competitive. The State Government’s policy, therefore, is oriented promotion of employment and productivity, rehabilitation of sick industries through a process of reconstruction, modernization and diversification and protection of legitimate interests of the workforce keeping in view the overall health and productivity of industry.

Apart from the presence of a large number of India Industrial House functioning in the State, a number of Multinational Corporations (MNCs) have long been successfully operating in the State and, to name a few, they are Philips, GEC, Hindustan Lever, ICI, Siemens, Bata, etc. A welcome development is that a good number of Non-Resident Indian (NRIs), MNCs

directly or through foreign Governments and Indian Industrial Houses have, in the recent past, shown special interest in coming to West Bengal either for setting up new industries or for expansion of existing industrial units.

3.2. **Salient Features of the policy:**

The following are the salient features of the State government's policy on industrial promotion and economic development:

1. The State Government welcomes foreign technology and investment, as may be appropriate, or mutually advantageous.

2. While the State Government considers the Government and Public Sector as an important vehicle for ensuring social justice and balance growth, it recognizes the importance and key role of the Private Sector in providing accelerated growth. In major industries like power, the State Government considers the role of the Public Sector as critical for containing energy prices. However, in the context of the changes in the policies of the Government of India, the need for meeting the increasing demand for power and the constraints on budgetary resources, the State Government would also welcome private sector investment in power generation.

3. Along with the public and private sectors, the State Government looks upon the joint and assisted sectors as effective instruments for mobilizing necessary resources and expertise in important areas of economic activity.

4. Improvement and upgradation of industrial infrastructure is indispensable for accelerated growth of industries. In the field of power, the State is already self sufficient with a generation capacity of over 3000 MW. It has also been planed to provide for an additional capacity of 5000 MW in the public, joint and private sectors over the next ten years. Others thrust areas are improvement in roads, communications and developments of Growth Centres. These programmes would, no doubt, require massive investments and it is
therefore, proposed to undertake projects for development of industrial infrastructure through the Government or through the private and joint sectors, wherever feasible.

5. Government has already taken the initiative in substantially improving the social infrastructure facilities like development of Satellite Township, housing, health, education, water-supply, hotels, etc. Apart from promoting schools and colleges of appropriate standards, a major thrust has been given to technical education and training through polytechnics and ITIs. In the sphere of health, apart from the various measures of improvement in the ongoing activities relating to medical care, health and family planning, establishment of specialized hospitals of high standards in the private joint sector will continue to be encouraged. Improvement and expansion of hospital facilities in and around Kolkata, and growth centres through private and joint sector efforts in being explored.

6. Based upon the available opportunities and potential of this region, the State Government has identified certain segments of industries, among others, as thrust areas for special attention. They are:
   a) Petrochemicals and Downstream Industries
The efforts of the Government have led to the finalization of the project parameters of the Haldia petrochemicals complex. Planning for ‘downstream growth zones’ has been initiated. In this process, dispersal of activities to cover all possible areas of the States will be given priority. It is the desire of the government to encourage the development of downstream industries in the State along with HPL so that most of the units are ready by the time of commissioning of the mother unit.
   b) Electronics and Information Technology
The Government is encouraging proposals for setting up large complexes in the information technology segments in the private sector, joint sector and public sector.

c) Iron and Steel, Metallurgical and Engineering
The efforts of the government are addressed to developing these sectors optimally so that the State is able to establish its primacy in this sphere. With easy availability of raw materials, stable power and skilled man-power, a significant growth is expected. Ship breaking activities are being promoted to make available scrap at reasonable rates to the downstream units. Due attention is being given to Ferro Alloys.

d) Textiles
The State occupied and improved its earlier position in the textile sector. It is proposed to formulate a new strategy for development especially in the areas of hosiery, knit-wear, ready made garments, etc. In the silk and silk weaving sector, the government is committed to encourage processing and value addition activities. Emphasis will be given an expansion of areas under sericulture.

e) Leather and Leather Products
This sector has a very high potential for growth due to easy availability of raw materials like hides and skins. Availability of skilled manpower for such activities has been the strength of this area. Export oriented units will be benefited through the setting up of the integrated Leather Complex near Kolkata. Both for the external and internal markets, the proposed integrated leather complex on 1000 acres of land will be of immense help.

f) Food Processing, Edible Oil, Vegetable Processing and Aquaculture
The government will continue to give priority to these segments on accounts of the fact that development of these segments will further strengthen the
agricultural base and increase employment opportunities in the unorganized sector. The State will help in establishing appropriate linkages between growers and processing units. Aquaculture, particularly brackish water shrimp culture in the estuarine areas will be given priority. Floriculture, tissue culture and horticulture will be encouraged.

g) Medical Plants, Rubber, Palm Oil and Tea
The government will provide necessary support for development these areas.

h) Manufacture of Basic Drugs, Chemicals and Pharmaceuticals
Considering the traditional strength of West Bengal in these segments, an action plan is begin formulated to attract higher investment in this area.

i) Optimal Utilization of Minerals and Development of Mine-based industries
Mining of dolomite, granite, china clay, limestone apatite is being encouraged. In the coal sector, high temperature coal carbonization will be encouraged.

j) Gems and jewellery
It is proposed avail of the sophisticated skills available in the State for promotion of jewellery making.

k) Promotion of Tourism and tourism related activities
In view of the high employment potential in this sector, the Government is formulating a separate policy for development of tourism. The objective is to realize the full potential of locations like the Sundarbans, hill of Darjeeling, forest of Dooars, places of importance from the heritage angle and the seaside resorts in coastal areas.

7. The case of the Sick Central Public Sector Undertakings which employ a large number of people and also support a number of ancillary SSI units, while the State Government is helping the management and Unions to evolve viable rehabilitation packages for consideration of BIFR, it is essential that
the Government of India commits adequate funds for acceptance of the rehabilitation package by BIFR and the subsequent implementation. The response of the Government of India has at best been lukewarm so far. The State government will continue its efforts with the Government of India to see that appropriate strategies are evolved to ensure healthy revival of those units. Similarly, in the case of the sick State public sector undertakings under the State Government, efforts will be made to rehabilitate them appropriately.

8. In the case of sick/closed units in the Private Sector, the policy of the State Government is to see that such units are reopened and rehabilitated appropriately at the earliest either through the existing management or through induction of new promoters and wherever necessary with appropriate sacrifices on the part of all concerned including the State Government, financial institutions and labour. The main objective is to ensure that the rehabilitation package is implemented to ensure viable functioning of the units.

9. In the field of the industrial relations, the State Government has over the years evolved a system of tripartite negotiation and understanding both at the unit and industry level and such long-term agreements have been successfully implemented in the industries like engineering, jute, tea, textiles, etc. It is the considered view of the State Government that the workers/units have to be informed of the problems and prospects of the concerned industrial units and there should be a constant dialogue between the management and the labour to ensure harmonious industrial relations. In the face fierce competition, industry is required to maintain efficiency, standards and quality. It is also necessary for the existing units to modernize to make its products competitive. The thrust of our efforts through the tripartite machinery has been to see that industry adopts appropriate transparent management policies
to ensure competitive production. It is necessary for the management to ensure that the statutory obligations are compiled with and all the legitimate interests of the workmen looked after. It is necessary for the workers to study the industry in which they are engaged and take interest in production and productivity while protecting their rights and privileges.

3.3. Policy Instruments:

The incentive Scheme of 1993 provides an attractive package of assistance for the establishment of new units, expansion of existing units and rehabilitation of sick units. A High Powered Committee was constituted under the scheme to consider special problems under the incentive scheme in respect of individual units appropriately. Many tax concessions had been announced in the State Budget of 1993-94. The sales tax laws and procedures have been streamlined and simplified.

The State Government proposes to strengthen the escort services with a view to providing support and eliminating delays. Accordingly, the Shilpabandhu, the single window set up under West Bengal Industrial Development Corporation (WBIDC), is proposed to be upgraded. Similar upgradation of escort services by Small Industrial Development Agency (SIDA) is proposed to provide quick assistance. An empowered committee has been constituted under the Chairmanship of the Chief Secretary with all the concerned Departmental Secretaries to arrange for time bound decisions in respect of investment proposals and the clearance required.

After announcing the package of incentives for setting up of new industries in West Bengal recently, the Left Front Government in the State has decided to offer loans at moderate rate of interest to promoters for revival of sick and closed industrial units.
The first line of credit amounting to Rs. 5 crore will be available to the Kolkata unit of Metal Box Company lying closed for about eleven years. The interest will be lower than the one charged by the banks. The loan will be disbursed through the West Bengal Infrastructure Development Finance Corporation. According to the terms of the agreement, the loan amount will be available to the company from three to six months after resumption of operations by the company.

With the industrial climate turning positive in West Bengal more and more promoters are coming forward to reopen sick and closed industries. Meanwhile, with land reforms based agricultural development in West Bengal, the demand for industrial goods has been created within the State and the demand is increasing by about 10% per year.¹

A cold rolling mill has been constructed in banghatti, District Hooghly, West Bengal. The mill was built by Bhushan Industries Ltd, which already has plants in Punjab, Chandigarh and Delhi. The company was setting up a modern unit for value addition to steel with cold rolling facilities of 150,000 tons per annum and galvanizing facilities of 120,000 tons per annum. West Bengal is the home to India’s largest concentration of mining, iron and steel, metal working and engineering industries; besides being the leaders in the two of the world’s agro-based industries tea and jute. It is now poised for a resurgence in the industrial sector with modern industries such as petrochemical, PTA, electronic and information technology taking shape.²

McKinsey predicts big IT investment- and more jobs – in West Bengal. International consulting firm McKinsey has predicted Rs. 2 billion in investment in West Bengal’s it sector over the next few years. The firm’s

second stint with the State begin in the beginning of 2000 when it asked to create a new brand image for West Bengal so investors came to the State and realized its industrial potential. McKinsey, which has stressed the State’s potential in IT-related businesses and agro-based industry, was asked to suggest ways of improving the operation of the government’s single window clearance facility for investors. Some multinational companies have already expressed their interest in setting up call centers in West Bengal.¹

Chapter -4
The Growth Pattern of Manufacturing Industries in West Bengal
Chapter-4

The Growth Pattern of Manufacturing Industries in West Bengal

The State has a long history of industrial leadership. It abounds in resources that spearheaded setting up of industries such as jute, cotton, tea, steel, leather, engineering; jewellery makes the industrial workforce of the State.

4.1. Working Jute Mill in West Bengal:

It is difficult to analyze the problem of organized industrial sector at the state level. The difficulty, however, is significantly reduced for an industry like jute where West Bengal is known to occupy the dominant position. Emphasis should be placed on the analysis of problems of such industry. Jute is an agro-based, export and employment oriented basic industry which has played a very meaningful role in India’s economy in general and West Bengal’s economy in particular.

There has been, as evident from Table 4.1, stagnation in jute industry for more than a decade, and it is important to analyze this stagnation from the standpoint of demand as well as from that of structure of production. Table 4.1, shows that the most significant part of the domestic jute production is in Hessian and Sacking, and the internal consumption of these jute goods was becoming increasingly important during 1971 to 1977, where the number of working looms increased from 68,433 to 13,55,998 in these years. From the projection about production trends of the domestic industries using Hessian and sacking, there are reasons to think that the internal demand for these jute goods will increase in the immediate future. It seems unlikely, therefore, that
Table - 4.1
Working Jute Mill in West Bengal

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<tr>
<td>Number of Operational Units as on 1st January</td>
<td>70</td>
<td>62</td>
<td>62</td>
<td>60</td>
<td>56</td>
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<tr>
<td>Number of Working Spinning Spindles as on 1st January</td>
<td>1,282,270</td>
<td>1,385,658</td>
<td>1,428,230</td>
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<td>Number of Working Looms as on 1st January</td>
<td>68,433</td>
<td>75,198</td>
<td>80,889</td>
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<td>(a) Hessain</td>
<td>37,652</td>
<td>41,392</td>
<td>47,665</td>
<td>44,460</td>
<td>22,470</td>
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<tr>
<td>(b) Sacking</td>
<td>19,042</td>
<td>20,369</td>
<td>21,590</td>
<td>26,730</td>
<td>10,338</td>
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<td>© Broad Loom</td>
<td>11,739</td>
<td>13,437</td>
<td>11,834</td>
<td>9,427</td>
<td>6,075</td>
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<td>(d) Others</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Average daily Number of Persons Employed during the Year('000) (Permanent only)</td>
<td>226</td>
<td>239</td>
<td>235</td>
<td>217</td>
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<tr>
<td>Consumptions of Raw Jute ('000 bales)</td>
<td>5,539</td>
<td>5,939</td>
<td>5,268</td>
<td>5,930</td>
<td>6,707</td>
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<tr>
<td>Total Production of Jute Goods ('000 tonnes)</td>
<td>946</td>
<td>1,005</td>
<td>901</td>
<td>1,030</td>
<td>1,170</td>
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<td>56</td>
<td>55</td>
<td>56</td>
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<tr>
<td>Number of Working Spinning Spindles as on 1st January</td>
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<td>5,45,987</td>
<td>5,50,894</td>
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<td>4,533</td>
<td>3,117</td>
<td>2,868</td>
<td>2,210</td>
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<td>(d) Others</td>
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<tr>
<td>Average daily Number of Persons Employed during the Year('000) (Permanent only)</td>
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<td>...</td>
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<tr>
<td>Consumptions of Raw Jute ('000 bales)</td>
<td>6,594</td>
<td>6,665</td>
<td>6,476</td>
<td>5,638</td>
<td>6,856</td>
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<tr>
<td>Total Production of Jute Goods ('000 tonnes)</td>
<td>1,152</td>
<td>913</td>
<td>1,132</td>
<td>990</td>
<td>1,122</td>
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<tr>
<td>Number of Operational Units as on 1st January</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Number of Working Spinning Spindles as on 1st January</td>
<td>59,980</td>
<td>6,7,368</td>
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<td>(a) Hessain</td>
<td>38,228</td>
<td>39,119</td>
<td>40,005</td>
<td>34,631</td>
<td>36,713</td>
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<td>24,497</td>
<td>25,586</td>
<td>21,687</td>
<td>23,417</td>
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<td>© Broad Loom</td>
<td>11,854</td>
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<td>11,243</td>
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<td>1,763</td>
<td>1,700</td>
<td>1,537</td>
<td>1,485</td>
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<tr>
<td>(Permanent only)</td>
<td></td>
<td>170</td>
<td>172</td>
<td>174</td>
<td>164</td>
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<tr>
<td>Consumptions of Raw Jute ('000 bales)</td>
<td>7,406</td>
<td>6,778</td>
<td>720</td>
<td>683</td>
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<tr>
<td>Total Production of Jute Goods ('000 tonnes)</td>
<td>1,212</td>
<td>1,109</td>
<td>1,185</td>
<td>1,435</td>
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<td>Number of Working Spinning Spindles as on 1st January</td>
<td>5,67,960</td>
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<td>5,74,468</td>
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<td>(a) Hessain</td>
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<td>39,267</td>
<td>39,611</td>
<td>39,716</td>
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<td>24,236</td>
<td>24,028</td>
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<td>© Broad Loom</td>
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<td>12,194</td>
<td>12,942</td>
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<td>15,076</td>
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<td>1,472</td>
<td>1,479</td>
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<td>Average daily Number of Persons Employed during the Year('000)</td>
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<td></td>
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<td></td>
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<tr>
<td>(Permanent only)</td>
<td></td>
<td>166</td>
<td>128</td>
<td>121</td>
<td>107</td>
</tr>
<tr>
<td>Consumptions of Raw Jute ('000 bales)</td>
<td>7,835</td>
<td>8,015</td>
<td>8,162</td>
<td>8,519</td>
<td>8,385</td>
</tr>
<tr>
<td>Total Production of Jute Goods ('000 tonnes)</td>
<td>1,348</td>
<td>1,386</td>
<td>1,393</td>
<td>1,322</td>
<td>1,412</td>
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</table>

Source: Jute Commissioner, Govt. of India.
the major cause of stagnation in the jute industry has been a fall in the demand for jute goods as such.

The major cause has then to be sought in the structure of jute production. It has been indicated in several reports of the Committee on Public Undertakings of the Indian Parliament (1978) that the production of the jute industry have been dominated by a few big houses and that these houses through intermediaries effectively control the price of raw jute. The raw jute was kept exploiting low compared to the cost of production, resulting in a loss of incentive for the jute growers and a stagnant situation in the raw jute production.

It was reported that the jute growers have also not received any significant institutional credit. However, out of the profits no significant investment has been made on the industry itself. The loom strength in the jute mills has not increased significantly, where as number of Working Spinning Spindles steadily progress from 12,82,270 in 1971 to 13,55,998 in 1977. After that during eighties on words the condition of this unit rapidly detracted, resulting in a fall in the average daily employment in the jute mill from 226 thousand in 1971 to 217 thousand in 1977.

It is evident from the foregoing analysis that the jute industry has remained stagnant in spite of generous public assistance and potentiality of demand. It is suggestive in nature that the major cause of this stagnation is likely to be located in the semi-monopolistic structure of industry, on the basis of which it has been possible for the jute industry to remain “profitably” stagnant or fall sick ostensibly at the expense of workers and, specially, of jute growers. Given this nature of the problem of jute industry, the policy of State Government has been to achieve control in the management of the so
called sick units, look into its proclaimed “sickness” and try for the revival. In some cases, the State Government therefore comes forward to persuade the Central Government to take over the affected units, and then it undertook the control in financial and managerial matters. Through these efforts it has been possible during the later part of 1977 and in 1978 to revive 7 mills in the jute sector of the State leading to re-employment of about 25,000 workers. Some of these units have already shown a significant increased in productivity and have started working profits. This performance has found highly correlated with the degree of State control over the management of the unit.

In 1978-80, the State production of jute goods increased negligibly from 1030 thousand tones in 1977 to 1170 thousand tones in 1980, maintaining the pre-existing trend of near stagnant. The trend of the production in jute industry is shown in Table 4.1. It is evident that there is a long term trend of near stagnation, and a particular fall of production in 1984 and 1988. This long-term stagnation of jute industry occurred due to inadequacy of demand for jute goods and problems of power generation. As indicated in Table 4.1, there has in fact been a mildly rising trend observed in recent years in the demand for jute goods, particularly for internal consumption. So far availability of power is concerned, the jute industry, in general, has been receiving a priority treatment in the distribution of power even in the face of an overall problem power generation in the State. There has not been again any problem in the availability of raw jute. The production of raw jute in the state shown at Table 4.1 has indicated a slightly rising trend over the last few years.

In the procurement of jute, to neutralize the activities of intermediaries and secure a more remunerative price for the poor jute growers, a novel
experiment has been attempted at the state level by making the Panchayat Samities work, as agent for the Jute Corporation of India, for the procurement of raw jute in the primary markets. This scheme was introduced on an experimental basis in 1978-80, involving five Panchayat Samities and with a resulting procurement of about 2952.22 quintals of raw jute. On the basis of this experiment, this scheme has been extended in 1980-81 to thirty-seven Panchayat Samities and up to the month of October, 1980, a total quantity of 37749.06 quintals of raw jute has been procured. This is a small but an important step towards social control from the base level.¹

After introducing the economic reform policy, the pace of production of jute goods increased up to 1435 thousand tones in 1995 as compare to 1109 thousand tone in 1993. The year 1997 was one of the best years for jute industry in recent times. The market situation was favourable to the industry as the internal consumption of jute goods increased to 1620 thousand tones in 1997 from about 1381 thousand tones in 1996. As a result of the buoyant situation, 14 jute mills lifted their lock-outs and reopened. However, the general long term health of the industry continues to be a mater of concern. As reported in Various Economic Review, 26 jute mills have turned sick and have been referred to BIFR. Fourteen of these mills have received rehabilitation packages, while the cases of 12 other mills are pending. Moreover, 5 sick jute mills in the State have been taken over by the National Jute Manufacturing Corporation (NJMC). Production of these taken over units has been declining in the last few years as the Central Government has

not been providing these mills sufficient funds for proper commercial operation.

The situation of the jute industry, from number of operational units from 66 in 1994 to 50 in 1996, has suddenly deteriorated with significant fall in the export demand. Moreover, the Central Government’s decision to allow the import of jute bags from Bangladesh at reduced import duty rate through open general license has further aggravated the situation. The problem of jute industry is that it is non-competitive. It cannot compete in the external market with the more efficient jute industry of China and especially of Bangladesh and internally it is out priced by the synthetic bag industry. The Jute Packaging Materials (Compulsory Use in Packing Commodities) Act, 1987, which promulgated to enforce the use of jute packing in industries like cement, fertilizer, sugar, food grains, etc., has progressively been diluted. The Central Government notification has completely exempted the cement industry from using jute packaging and for fertilizers, mainly urea, it will be mandatory for only 20% of the total output to be packed in jute bags. The Central Government has also given permission to the sugar industry to use non-jute packaging to an extent of 20% in the event of non-availability of jute bags. These decisions were taken by the Central Government in spite of strong objections of the West Bengal Government. Thus, a major domestic prop to the jute industry is slowly being withdrawn. If the industry is to survive, it must increase its productivity so as to be able to compete with its domestic and foreign competitors.

During the year under review, particularly during 1993 to 2003, average daily number of person’s employment declined from 170 to 105 respectively. The jute industry has faced a serious situation. Taking the
advantage of loopholes in the laws of the land and on the ground of non-availability of required quantum of raw jute backed by increasing production cost, like in the price of the raw jute, disparity in the cost of finished goods vis-à-vis selling price and paucity of order, the management of more than 50% of the mills have unilaterally reduced the number of working shifts from 21 to 18. As a result the workers were the worst sufferers.

There has been a decline in production during the year under review mainly due to actual financial crunch arising out of continuing cash loss. This has resulted in insufficient flow of raw material, stores and spare parts etc. The situation has been aggravated by irregular and inadequate release of non-plan fund by the Government of India. This has adversely affected the maintenance of machinery, supply of inputs and consequent loss production/productivity. The case of National Jute Manufacturers Corporation Ltd. (NJMC) mills were pending before the BIFR for several years but it appears that no concrete decision has yet been taken for implementation of the scheme.

Jute textile manufacturing is the most prominent industry in West Bengal due to availability of raw jute in the State. At present there are 61 jute mills in West Bengal. Main jute products are hessian, sacking, jute bags and other items produced by jute. Most of the jute mills in West Bengal are located on the two banks of river Hoogly near Kolkata, West Bengal is the leader and pioneer in the country for the manufacturing of jute textiles. The development of jute industry in large scale has due to availability of raw jute, transportation and cheap labour available in the State. India is the World’s largest producer of raw jute. It alone produces World’s 50% of raw jute and 40% of finished jute goods. It provides employment of 40 million farmers and
0.2 million factory workers. The traditional use of jute, manufacture of jute, starts to be replaced by employment more developing in industries of clothing, in the form of mixed wire jute-viscose, jute cotton and even jute-silk for weaving and knitting.

Jute is an agro-based, employment oriented, environmentally friendly basic industry in the State of West Bengal offering employment directly to more than two lakh workmen and lakh of jute growers in the eastern region are dependent on it. Out of 78 jute mills in the country, 61 mills are in West Bengal. Out of them, five mills are run by national Jute Manufacturing Corporation Limited, (NJMC Ltd), a Government of India undertaking and one mill is being run by the Government of West Bengal. Out of 78 mills, 38 units have been identified as sick and 31 units have been referred to BIFR.

The jute industry has been passing through a severe crisis for the last so many years from various reasons. In spite of various constraints, conciliation machinery through their constant effort have been able to maintain good industrial relations in the industry. During the year under review there were suspension of work in 25 jute mills upto February, 2005 and strike in 13 jute mills. Conciliation machinery has been available to resolve the disputes relating to the above mills. At present(as on 1.3.05) five jute mills namely, Gouripur, Soorah, Fort William, Nudea jute Mill and Hooghly Mills Project Ltd. Unit Mangalpur are under suspension of work involving about 12,300 workmen. Attempts are, however, being made to restart the functioning of the above mills.\(^2\)

A good number of jute mills have been retiring their workers without payment of their dues including gratuity which is causing strong resentment

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among the workers. Moreover, the employers are also engaging persons in the name of apprentice/learner/trainee for indefinite period with a meager amount. A trend is also being floated for engaging contract labour in perennial jobs.

NJMC Ltd runs five jute mills in West Bengal. The conditions of these mills are very bad. There is no production in any of the mills. Electricity has been disconnected in all the mills for non-payment of bills. The workmen including the staff and officers are not getting their wages and salaries in time.

The Jute Corporation of India, a Government of India Undertaking, which is supposed to play a vital role in stabilizing the raw jute sector making the raw jute available to the jute mill through its market intervention, does not appear to be playing its proper role. On the contrary, it has been reported that Jute Corporation of India has taken a decision to closedown some of its purchase center and 14 sub-centers in West Bengal. The State Government has already taken up the matter with the Government of India.

Production of jute goods is still confined to traditional products like hessian and sacking. Diversified products constitute only a small fraction of total production. Domestic market consumed more than 83% of the total production and its main use is as packaging materials. Export mainly consists of hessian and five yams. Production during 1999 to 2003 was increased from 1348 to 1412 thousand tones. Domestic consumption during this period was also increased from 78.35 lakh to 83.85 lakh tones.

Domestic market is entirely dependent on packaging requirements namely, packaging for food grains and sugar. The industry has been facing stiff competition in respect of jute packaging materials from synthetic substitutes. The state government has granted various concessions to the jute
mills which are implementing the BIFR sanctioned schemes in the form of deferment of payment of Sales Tax, Weaver of payment of electricity duty etc.¹

The jute sector has been playing an important role in the economy in general and the eastern region in particular. The socio-economic significance of jute sector stems not merely from the contribution makes to the national exchequer as earning from exports and through taxes and levies, but also from sizeable employment it provides in agriculture and industries. About 4 million farmers, most of them marginal, are engaged in the cultivation of jute and mesta and about 2 lakh workers were employed in the jute industry. Apart from this, the jute sector has also provided indirect employment to a considerable number of people.

Production of jute goods in West Bengal during 2002 declined rapidly to 1,322 thousand tones from 1,393 thousand tones during 2001. Lack of modernization, lack of investment to go for product diversification, high cost of inputs is some of the major problems of the industry. Jute industry has been passing through severe crisis during the past several years due to emergence of synthetic products as substitute of jute products and stiff competition from Bangladesh and China in the export market. Coupled with this jute packaging is under threat due to Government of India’s sudden decision for dilution of JPMA in phase manner.

Production of jute goods during the 2003 recorded a healthy growth over the corresponding period in 2002. The production of jute goods in West Bengal increased to 1,412 thousand tones during 2003 from 1,322 thousand tones during 2002. The domestic consumption of jute goods in the year 2003 was lower at 8,385 thousand tones as against 8,519 thousand tones in the year

2002. In fact, domestics’ consumption, as shown a rising trends since 1996, received a setback in the year 2003. Further dilution of Jute Mandatory Act during the year 2003 seems to be one of the major reasons for fall in the domestic consumption.

Jute made products have already carved out a niche in the world market of flexible packaging and life style products. Jute Geotextile could be such a sector in which the industry can diversify the commercial advantage with no or little modification of the existing machinery and infrastructure of the jute mills. In recent study conducted by Tata Economic Consultancy Services (TECS), Mumbai, it has revealed that the global geotextile industry is expected to grow 10% to 15% per annum.

The jute industry has been facing a number of problems in the post 1970s era. These problems can be attributed to the fact that the traditional jute products have become much costlier compare to its alternatives packaging. Industry feels that factors of production like cost of raw jute and wages have led to higher cost composition compare to competing products. The present scenario is that of a quasi-static industry with depleting market, increasing cost, ageing machines and stagnating product lines. Jute manufacturers today operate in a protected domestic market under the JMP Act 1987. Further, some of the competing products have got favourable response from the end use in International Markets. Thus, there is a strong need for the jute industry to be more responsive and competitive to withstand the market forces.

4.2. Cotton industry:

In West Bengal Cotton Textile is the third major traditional industry while in India Cotton is still regarded as the biggest industry employing the largest number of workmen. The first Cotton Mill was established in 1818 at Ghusuri in Howrah. The Cotton Textile in West Bengal used to play very
positive, vital and dynamic role in the economy of the Eastern Region, not to speak of West Bengal only, since the establishment of different mills both during the pre-independent and post-independent periods. It is still one of the core industries in the West Bengal. But the position of the industry has been becoming more and more gloomy for the last several years. Despite its decline over the year of various reasons, Cotton Textile still continues to be one of the major industries in West Bengal. Out of 65 mills in the Eastern Region, West Bengal accounts for 37 mills employing more than 35,000 workmen. Of these 37 mills, 19 are in the private sector and 18 are in the public sector. Six mills are run by the State Government and the remaining 12 mills belong to National Textile Corporation.

The trends in the production of cotton yarn and cloth are shown in Table 4.2. Both the trends indicate the existence of difficulties in production since almost the year 1974, while number of mills and average number of workers employed were also declined i.e., 40 and 43,576 respectively. These difficulties arise at the State level primarily from the acute deficit, of around 97% in the local availability of raw cotton in the entire eastern region of the country. Most of the cotton required by the mills in West Bengal has to bring from the State such as Punjab and Gujarat which are 1,800 to 2,000 kilometers away. About 95% of this cotton transported by the railway, and the structure of the fright rates on cotton therefore becomes crucially importance for the working of cotton textile industry in the State. It is significant to State to the Centre, have been increased non-uniformity, the fright rates on other important industrial inputs, such as iron and steel, for which other states have a location disadvantage in relation to West Bengal, were other Central subsidies kept effectively equalized all over the country. This selective non-equalization of the fright rates has been acting for quite sometime, and
### Table 4.2
Working Cotton Mills in West Bengal

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<td>40</td>
<td>41</td>
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<td>41</td>
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<td>Average Number of Workers employed daily</td>
<td>23,661</td>
<td>43,949</td>
<td>43,576</td>
<td>45,197</td>
<td>46,394</td>
<td>48,670</td>
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<td>Quantity of Cotton Consumed in Lakh Bales</td>
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<tr>
<td>of 170 kgs each</td>
<td>104,850</td>
<td>36,784</td>
<td>365,858</td>
<td>382,043</td>
<td>3.27</td>
<td>3.37</td>
<td>3.89</td>
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<td>Total Production of Fabrics('000 metres)</td>
<td>114,564</td>
<td>193,496</td>
<td>191,671</td>
<td>176,849</td>
<td>1,24,800</td>
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<td>i) Cotton Fabrics</td>
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<tr>
<td>ii) Blended Mixed Fabrics</td>
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<tr>
<td>iii) 100% Non-cotton Fabrics</td>
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<td></td>
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<tr>
<td>Total Production of Yarn('000Kgs)</td>
<td>26,929</td>
<td>54,528</td>
<td>56,193</td>
<td>50,632</td>
<td>72,164</td>
<td>76,004</td>
<td>77,776</td>
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<tr>
<td>i) Cotton Yarn</td>
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<tr>
<td>ii) Blended Yarn</td>
<td></td>
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</tr>
<tr>
<td>iii) 100% Non-cotton</td>
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<td>Number of Mills as on 31st December</td>
<td>42</td>
<td></td>
<td>39</td>
<td>39</td>
<td>39</td>
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<tr>
<td>Average Number of Workers employed daily</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity of Cotton Consumed in Lakh Bales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of 170 kgs each</td>
<td>4.57</td>
<td>3.38</td>
<td>3.34</td>
<td>2.72</td>
<td>1.05</td>
<td>1.11</td>
<td>0.98</td>
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<td>Total Production of Fabrics('000 metres)</td>
<td>1,06,687</td>
<td>74,192</td>
<td>50,307</td>
<td>33,862</td>
<td>2,140</td>
<td>1,953</td>
<td>2,330</td>
</tr>
<tr>
<td>i) Cotton Fabrics</td>
<td>95,403</td>
<td>70,747</td>
<td>41,850</td>
<td>31,423</td>
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<tr>
<td>ii) Blended Mixed Fabrics</td>
<td>10,733</td>
<td>920</td>
<td>5,037</td>
<td>2,143</td>
<td>2,140</td>
<td>1,953</td>
<td>2,330</td>
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<tr>
<td>iii) 100% Non-cotton Fabrics</td>
<td>551</td>
<td>2,525</td>
<td>3,690</td>
<td>2,961</td>
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<tr>
<td>Total Production of Yarn('000Kgs)</td>
<td>78,679</td>
<td>70,734</td>
<td>70,132</td>
<td>71,924</td>
<td>38,955</td>
<td>38,909</td>
<td>39,953</td>
</tr>
<tr>
<td>i) Cotton Yarn</td>
<td>61,080</td>
<td>51,231</td>
<td>46,499</td>
<td>48,053</td>
<td>40,153</td>
<td>14,153</td>
<td>14,737</td>
</tr>
<tr>
<td>ii) Blended Yarn</td>
<td>11,550</td>
<td>5,734</td>
<td>12,086</td>
<td>18,812</td>
<td>11,420</td>
<td>12,828</td>
<td>10,554</td>
</tr>
<tr>
<td>iii) 100% Non-cotton</td>
<td>6,049</td>
<td>13,769</td>
<td>11,047</td>
<td>12,541</td>
<td>13,382</td>
<td>11,344</td>
<td>16,320</td>
</tr>
</tbody>
</table>

**Source:** Textile Commissioner, Govt. of India
particularly since around 1974, as a major constraining factor in the growth of cotton textile industry in the State.

The production of cotton yarn at the state level registered continuously an increase from 26,929 thousand kilogram in 1971 to 72,164 kilogram in 1980. While in the same period total production of cloth fabric also increased from 1,14,564 to 1,76,849 in 1975, but it continuously declined afterwards production of cloth comedown to 124,800 meters in upto 1980. For these changes also leads to affect on workers employment. The main reason to fall down was due to floods had once again affected the production in some of the cotton mills in the State and a comparison among these years, production figures of mill yarn and cloth reveals that there were significant production losses in the flood affected years in both these sections of cotton textile industry.

More important than these yearly fluctuations, however, are has long term trends in the production of yarn and cloth in the state presented in Table 4.2. Both these trends show a declining tendency suggesting the existence of more basic constraints on production. These constraints arises at the State level primarily from the acute deficit, as shown in table 4.2, in terms of gap between the production of raw cotton and its consumption, from which the entire eastern region suffers in comparison with all other regions.

In the cotton textile industry, as can be seen from Table 4.2, the production of yarn declined during the eighties decade i.e., 76,004 thousand kg in 1981 to 70,734 thousand kg in 1990. The production of cotton fabric cloth also registered a sharp decline from 1, 40,355 thousand meters in 1981 to 74,192 thousand meters in 1990.

Apart from the structural imbalance which afflicts the cotton textile industry in the country. The mills in the West Bengal have the added
disadvantage of having to bear the cost of high fright rate on raw cotton which has to import from Punjab and Gujarat. This has a direct consequence of the unfortunate policy of the Central Government on selective freight equalization for certain important inputs but without taking any such policy for other raw materials. Such a biased policy of selective freight equalization has particularly destroyed the natural location advantage of industries in West Bengal. The effect of rising raw cotton prices has also led to unprecedented rise in yarn prices. This rise in yarn prices severely affected the handloom weavers, who were in many instances, forced to curtail production. The existence of cotton textile industry in the state is threatened unless urgent measures are taken to lower the burden of fright on raw cotton and assistance is provided to appropriately modernize the mills in the State.

The textile industry in the West Bengal is in a rather rudimentary stage of development. The cotton textile industry has been shrinking. A hitherto vibrant industry in West Bengal, the cotton textile sector is now undergoing a process of gradual decay. Table 4.2 shows output of cotton yarn and cloth in the state during the past decade. Production of yarn declined to 39,953 thousand kg in 2002 from 70,734 thousand kg produced in 1990. The production of cloth also declined during same periods from 2,330 thousand meters to 74,192 thousand meters. The production of both yarn and cloth were substantially below the levels achieved in 1990. Moreover, West Bengal’s share in Indian cotton yarn and cloth production was negligible. This dismal situation of the cotton textile industry in the State has related to primarily two reasons. (1) low purchasing power of the common people has resulted in stagnant per capita demand for textile fabrics and (2) the organized textile industry cannot compete with the more cost efficient decentralized sector, specially the power loom sector.
There are 37 textile mills in the state, of which 19 are privately owned and 18 publicly. However, of the 19 private mills only 4-5 are operational. This dismal state of affairs can be attributed to not only extremely outdated machinery and technology, but also to the distant location of mills (about 1500-2000km) from cotton growing areas, which greatly increase cost of production. While there is a pressing need to modernize and expand productive capacity of the mills.

Albeit the statistics present a grim picture, West Bengal does have its strengths in the cotton textile sector. Most chemicals and dyes required in the production process are available locally; and West Bengal has an abundant supply of water and power; all of which are critical inputs for the textile sector. Moreover, labour cost in the state are low.

The overall industrial scenario in the cotton textile industry for the last decade appears to be very much gloomy. The cotton textile mills have been facing serious problems owing to recession, age-old and worn-out machineries and financial crunch. Out of 19 mills in private sector only 5 mills are running at present. These are (1) M/S Jayashree Textile, (2) M/S Raja Shree Syntex (3) M/S GIS Ltd (4) M/S Hada Textile ltd. And (5) M/S Vishnu Cotton Mill Ltd. The National Textile Corporation Ltd. Had been running 12 mills in West Bengal, but the Government of India have since closed down 9 mills. Obviously, the Cotton Textile Industry in the state is precarious position.

There are some suggestive measures where have to take bold steps. State Government and private sectors bound to take major steps to improve the production of cotton. Increased the production of cotton in the state should be encouraged so as to reduce the cost of raw materials. Moreover, development of high speed rail and road networks between growing and
manufacturing areas will help to reduce production time and costs. As garments are time sensitive products, the development of port and road infrastructure, that minimize transportation and time and costs are critical. West Bengal also has another important strength. It possesses a large workforce concentrated in the Matiabruze and Garden Reach areas that is highly skilled at embroidery, beading etc. In fact, such work from other parts of India is outsourced in significant volumes to West Bengal. However, West Bengal possesses a distinct advantage in the area of knitted cotton goods. These are produced in only two States in the country. West Bengal and Tamil Nadu. West Bengal thus has the potential to considerably capitalize on its cotton knitwear segment.

4.3. Tea industry:

Tea plantation is one of the oldest industry of the country. In pre-independence Bengal tea plantation was experimentally started in Darjeeling Hills in 1840, in Terai, in or around 1862 and in the Dooars region in 1874. West Bengal is the second largest growing State in India. West Bengal contributes 21% of the total production of tea in India. Darjeeling and Jalpaiguri are two northern districts of West Bengal were most of the tea gardens are located. There are three tree growing zones: Darjeeling, Terai and Dooars. Darjeeling tea is the finest tea in the world. Tea industry plays an important role in the economy of West Bengal. It generates employment in several ways as production, processing, distribution, packaging etc. Tea is also an important source of income through exports. Kolkata port is the biggest tea handling port in India, as well as, Kolkata is a biggest tea auction market in India. Many new swell tea gardens have been setup in Coochbehar, North Dinajpur etc. Some major tea industries in West Bengal are: Duncans
Indian Industries Ltd., Goodricke Tea Industries Ltd., Jayshree Tea and Industries Ltd., Tata Tea Ltd., etc.

The tea plantation spread over the picturesque Darjeeling hills, adjoining foothills and the lush green plains of Terai and Dooars region, occupy a predominant place among the traditional industries in West Bengal. The economy of this region is centered around this industry. 277 tea gardens registered till date are located in the three districts of North Bengal, viz., Darjeeling, Jalpaiguri, and Uttar Dinajpur. More than 2.5 lakh workers are employed in this industry. This industry employs the largest number of women workers. The ethnic composition of the tea plantation workers reveals that 80% of them are from Chhotanagpur area and most of the remaining workmen are of Nepalese origin. Most of the tea plantation workers are daily rated, engaged mostly in plucking job.

Table-4.3 shows, the production of tea in West Bengal increased from 104.08 million kg. in 1971 to 131.87 million kg. in 1978. To maintain the rising trend that was started around 1971, primarily in response to the export boom which the industry has been enjoying since that year. The combination of rising trends in both quantity and unit value of exports indicates the specially favourable situation that the industry has been experiencing over this period.

There has been a fall in the State’s production of the tea from 131.8 million kg. in 1978 to 123.9 million kg. in 1979, where as it has increased production about 133.1 million kg. in 1980, but once again it has comedown to 128.2 million kg. in 1981. This fall is largely due to the drought which had affected the production of tea in the entire country. Due to effect of the drought, a sharp fall in the average yield rate of tea in all the tea growing areas of the State.
### Table - 4.3

**Production of Tea in West Bengal**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (in million kg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>104.087</td>
</tr>
<tr>
<td>1972</td>
<td>108.576</td>
</tr>
<tr>
<td>1973</td>
<td>110.489</td>
</tr>
<tr>
<td>1974</td>
<td>118.028</td>
</tr>
<tr>
<td>1975</td>
<td>111.334</td>
</tr>
<tr>
<td>1976</td>
<td>117.723</td>
</tr>
<tr>
<td>1977</td>
<td>131.306</td>
</tr>
<tr>
<td>1978</td>
<td>131.876</td>
</tr>
<tr>
<td>1979</td>
<td>123.978</td>
</tr>
<tr>
<td>1980</td>
<td>133.186</td>
</tr>
<tr>
<td>1981</td>
<td>128.259</td>
</tr>
<tr>
<td>1982</td>
<td>133.265</td>
</tr>
<tr>
<td>1983</td>
<td>139.705</td>
</tr>
<tr>
<td>1984</td>
<td>148.293</td>
</tr>
<tr>
<td>1985</td>
<td>157.371</td>
</tr>
<tr>
<td>1986</td>
<td>141.27</td>
</tr>
<tr>
<td>1987</td>
<td>149.617</td>
</tr>
<tr>
<td>1988</td>
<td>150.034</td>
</tr>
<tr>
<td>1989</td>
<td>143.168</td>
</tr>
<tr>
<td>1990</td>
<td>149.753</td>
</tr>
<tr>
<td>1991</td>
<td>159.166</td>
</tr>
<tr>
<td>1992</td>
<td>150.69</td>
</tr>
<tr>
<td>1993</td>
<td>168.022</td>
</tr>
<tr>
<td>1994</td>
<td>166.499</td>
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<tr>
<td>1995</td>
<td>160.305</td>
</tr>
<tr>
<td>1996</td>
<td>163.375</td>
</tr>
<tr>
<td>1997</td>
<td>169.946</td>
</tr>
<tr>
<td>1998</td>
<td>64.472</td>
</tr>
<tr>
<td>1999</td>
<td>180.212</td>
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<tr>
<td>2000</td>
<td>180.724</td>
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<tr>
<td>2001</td>
<td>190.689</td>
</tr>
<tr>
<td>2002</td>
<td>189.841</td>
</tr>
<tr>
<td>2003</td>
<td>200.595</td>
</tr>
<tr>
<td>2004</td>
<td>200.486</td>
</tr>
</tbody>
</table>

*Sources: NCAER and Tea Statistics*
Production of tea in the State increased from 133.2 million kg. in 1982 to 159.1 million kg. in 1991. The increase in tea production in 1991 was perhaps influenced among others by the income in exports of tea from India. Not only was export higher in 1991, unit price realization in 1991 was higher than the price obtained by exporters in 1982. The higher export price in 1991 was reflected in higher domestic price in the Kolkata and Siliguri auction.

One of the major problems of the tea industry in the State has been that the private owners in general has not reinvested their profits in the tea gardens, as a result, replantation of tea bushes has not been at an appreciable level. This is reflected in the age structure of tea bushes. This is revealing index of the neglect of the tea garden by the private owners. The neglect of the tea gardens by its private owners has made a number of tea gardens in the State sick.

Production of tea, as can be seen from table 4.3, increased to 169.9 million kg. in 1997, from 150.6 million kg. in 1992. The basic problem of tea industry was that the annual increase in production of tea was usually lowered than the increase in demand for tea. This has put upword pressure on tea prices and recent time, tea prices in the country have increased significantly.

West Bengal Tea Development Corporation was setup with the primary objective of protecting the interest of thousand of plantation workers and their families engaged in sick and abandoned Tea Estates. The total production of made tea of the existing five gardens of the corporation during the year 1997-98 was about 6 lakhs kg. Management of Sonali Tea Estate in Jalpaiguri district has been vested with the corporation. The estimated annual production of this estate expected to be 2.5 lakh kg. made tea. In 1977-78, the corporation continued its efforts for overall development of the garden under its control, both in Darjeeling and Dooars by further augmentation of its
productivity and improvement of quality of made tea. The Corporation has taken various development programmes for augmentation of production of tea.\(^1\) Production of tea in West Bengal during the year 2001 has increased to 190.6 million kg. from 64.4 million kg. in the year 1998. But once again trends shows that the tea production in West Bengal during the year 2002 declined to 189.8 million kg. production of tea in West Bengal marginally increased from 189.8 million kg. to 200.5 million kg. in 2003. Tea production in the country as a whole also declined in the period 2004. Tea exports also declined in the same period of 2003. Falling production and rising exports of tea resulted in rising tea prices in the country in 2004. The same trend in tea price prevailed in West Bengal.

**4.3.1. Area wise Average Yield Rate of Tea in West Bengal:**

The tea industry in West Bengal is an important part of West Bengal economy and the Indian tea industry. Tea is grown in West Bengal in the hilly slopes of the Himalayan Mountain in the district of Darjeeling, Dooars region and Terai region of the North Bengal. Among these three areas Darjeeling tea occupies the pride of place with its unique flavour and matchless quantity. Of the two main varieties of tea plants, the Darjeeling hills grow mainly the China variety. However in Teria and Dooars and in estates at lower elevation the Assam variety is mostly planted.

Among the three tea producing areas of West Bengal, Dooars area is the most important, having more than 2/3 of the total tea producing areas of West Bengal. Darjeeling area is more famous but it occupies only 20% of the tea area in West Bengal. The tea acreage has been increasing in all the areas of the West Bengal, but the growth rate is maximum in the Terai region.

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\(^1\) The Pioneer, "Industrial Resurgence of West Bengal" Sunday, June 21, 1998, p 12
However, the share of West Bengal in tea acreage of India has been declining marginally. Total production of tea in 1971 was 1,04,087.

The picture will be clear with the production statistics. Table 4.4 gives the absolute production figure and percentage figure. This table is self revealing. The importance of Dooars in West Bengal tea production is overwhelming as its share exceeded 3/4 of the total West Bengal tea production. But over the years Terai area is growing in importance while the slide back of Darjeeling is continuous. One disappointing feature of West Bengal tea industry however is the falling share of West Bengal in total Indian production. The poor performers have Dooars and Darjeeling. The productivity is the lowest in Darjeeling and it is much below the Dooars and Terai and all India level. The productivity of Dooars is the highest but Terai area is fast catching up. It is encouraging that both Dooars and Terai areas register highest productivity than all India level.

There has been a fall in the State’s production of tea from 1,31,876 thousand kg. in 1978 to 1,28,259 thousand kg. in 1981. This fall is largely due to the drought which had affected the production of tea in the entire country. Along with this fall in 1981, it is also noted that there exists significant difference in the yield rate between tea garden in Darjeeling those in the other areas of the State, with the yield rate of the Darjeeling garden remaining systematically lower than all other gardens. This difference related among other factors, to the age-structure of tea bushes in these gardens. Though there is a significant percentage of older bushes in all the gardens, but percentage is specially high for the Darjeeling gardens. This dominance by older bushes is an indication of negligence in investment for the replantation bushes, particularly in the Darjeeling gardens in relation to the other gardens of State.
## Table 4.4

Production of Tea in different region of West Bengal (in thousand quantals compound growth rate and in percentage term)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Darjeeling</td>
<td>10293</td>
<td>12226</td>
<td>12921</td>
<td>12099</td>
<td>12355</td>
<td>11092</td>
<td>10889</td>
<td>10727</td>
<td>9507</td>
<td>1156</td>
</tr>
<tr>
<td>%</td>
<td>9.89</td>
<td>9.54</td>
<td>8.21</td>
<td>8.08</td>
<td>8.2</td>
<td>6.98</td>
<td>5.71</td>
<td>5.65</td>
<td>4.74</td>
<td>5.93</td>
</tr>
<tr>
<td>Terai</td>
<td>12954</td>
<td>15782</td>
<td>22494</td>
<td>21289</td>
<td>20411</td>
<td>24636</td>
<td>36740</td>
<td>36491</td>
<td>55226</td>
<td>41755</td>
</tr>
<tr>
<td>%</td>
<td>12.44</td>
<td>12.3</td>
<td>14.29</td>
<td>14.23</td>
<td>13.55</td>
<td>15.51</td>
<td>19.26</td>
<td>19.22</td>
<td>27.53</td>
<td>22.2</td>
</tr>
<tr>
<td>Dooars</td>
<td>80840</td>
<td>100251</td>
<td>121956</td>
<td>116229</td>
<td>117875</td>
<td>123097</td>
<td>143060</td>
<td>142623</td>
<td>135273</td>
<td>135170</td>
</tr>
<tr>
<td>%</td>
<td>77.67</td>
<td>78.16</td>
<td>77.49</td>
<td>77.69</td>
<td>78.25</td>
<td>77.5</td>
<td>75.02</td>
<td>75.13</td>
<td>67.43</td>
<td>71.87</td>
</tr>
<tr>
<td>West Bengal</td>
<td>104087</td>
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<td>157371</td>
<td>149617</td>
<td>150641</td>
<td>158825</td>
<td>190689</td>
<td>189841</td>
<td>200595</td>
<td>188081</td>
</tr>
<tr>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Tea Board, Govt. of India, Kolkata.
Production of finished tea is also more or less steady over the years as may be evident from the Table 4.4. Production of tea in West Bengal during the year 2002 declined to 1,89,841 thousand kg. from 1,90,689 thousand kg. in the year 2001. Thus, production of tea in West Bengal in the year 2002 fell by 0.4% during 2002 over the year 2001. Estate-wise production of Darjeeling tea decreased from 10,889 thousand kg. during 2001 to 10,727 thousand kg. Thus, production of Darjeeling tea during the year 2002 declined by 1.5% over the year 2001 as compared with decline of 0.3% in the, Dooars area and 0.6% in Terai area respectively. District wise production of tea in West Bengal suffered in Darjeeling and Dooars in 2003 as compared to the corresponding period in the previous year. Production in Darjeeling district was lower at 9507 thousand kg. in 2003 against 10,727 in 2002. In Dooars district also production suffered from 1, 35,273 thousand kg. to 1,42,623 during these years, but in Terai district production was higher at 55,226 thousand kg in 2003 to 36,491 thousand kg in 2002.

District wise production of tea in West Bengal reveals that fall in production of tea in West Bengal during 2004 was largely contributed by significant fall in production in Terai area of about 1,35,170 thousand kg as compared to 2003. However, Darjeeling district contributed higher production during 2004 i.e. 11,156 thousand kg production in 2003 i.e. 9.507 thousand kg and rose by 17.3% production in Dooars area remained almost same at the last year level.

4.3.2. Problems:

However, the basic problems of the tea industry in the State persist. In this context, it is somewhat unfortunate to note that, even in this favourable situation, there was no significant investment made in an important area of the industry relating to the replantation of new bushes. This replantation,
considered especially significant for the health of tea industry, is of course more a matter of long run development perspective than of immediate gains. The failure of private investment in this area, in spite of good market conditions, therefore, raises a question about the dependability of the existing structure of the industry in matters relating to the long run interest of development.

Another problem of the tea industry is that annual increase in production of tea is usually lower than the increase in demand for tea. This has put upward pressure on tea prices and in recent years tea prices in the country have increased rapidly. Tea industry as a whole and North Bengal in particular has been passing through successive years of price decline and surge in cost pressure. Large segment of the industry in North Bengal were selling tea below the cost. The situation was that prices of tea were resulting below the cost of production during the last four years or so, according to Indian Tea Association. The main reasons for decline of prices of tea were lower exports and declining rate of growth in the domestic consumption. On the other hand, tea industry in the State passing through a crisis created by steady increase in cost of production together with decline in sale price of tea created by oversupply position for increase in production, decline in export, sluggish domestic market and threat of import of tea at cheaper price.

In West Bengal still now the irrigation and water management system is not adequately developed, and therefore, fluctuation in tea output owing to vagaries of nature is a common feature of West Bengal tea industry. Another important weakness of this industry is its seasonal character. Production is generally heavy over a half of the year, where as over the remaining half of the year production is scanty. This raises cost of production and cost of storage and creates problem for maintenance of quality.
Another difficulty is the long gestation period. A plant takes 5-10 years to develop into a full growth bush. Unless the old bushes are replaced by new bushes on a regular basis, productivity stagnates and profitability slumps, leading to sickness of the industry.

The industrial features of this industry are also important. Production of tea needs processing and manufacturing activities which are done in a mechanized way. In tea industry the plantation and processing are mostly done by the same unit and so tea industry offers a unique amalgamation of agriculture and industry. Because of agricultural features the tea industry is labour intensive but the processing and manufacturing also need high investment.

The report of the committee on the Tea Industry in West Bengal setup by the State Government made a number of recommendations to revive the tea industry in the State after examining the views of all stakeholders in the industry. The committee has recommended the following measures: In order to ensure transparency in the tea market, 100% made tea other than exports and packet tea should to mandatory sold through the auction system only. The Tea Board should lay down a price sharing formula in terms of which the sale proceeds of made tea produced by the Bought Leaf Factories (BLFs). The Tea Board should fix norms for replantation cycle for tea bushes and prepare replanting programmes for each garden, fixing the year-wise acreage to be replanted. The Tea Board should take up with the banks the need to provide bank finance to the tea gardens for the implementation of these schemes at a reasonable rate of interest of 9%.

The Tea Board should enhance the extent of subsidy for replantation from the current level of 25% to 50 %. In respect of tea gardens declared abandoned, Government of West Bengal may try to find new promoters for
the gardens through open bids. The need therefore is to increase the production of tea either by extending the area under tea or by increasing the productivity of existing gardens.

The looming threat of large scale import of cheap tea from Indonesia and Vietnam has affected market sentiments. Coupled with this, the bought leaf tea factories with installed capacity of 26 million kg of made tea has further aggravated this situation.

In view of on going crisis of the industry, the industrial circle has sought concession vide withdrawal of central excise duty on bulk tea, enhancement of custom duty on imported tea, withdrawal of green leafless imposed under the rural employment and production act 1976 etc. The concession sought by the industry to the State and Central Government on various issues have been partly met in the last budget of Central and State Governments. The on-going crisis in the tea industry was taken up by the Directorate of Industries with the associations of tea industry. According to the tea circle it is felt that cost rationalization is the key area that needs to be addressed to the survival of organizer tea industry.

4.4. Steel Industry:

Way back in 1874, the foundation of the modern Indian iron and steel industry set its foot print at Kulti, in Burdwan district of West Bengal when the first blast furnace was built by Barakar Iron Works. A similar unit was setup as Bengal Iron Works in 1899. The first integrated steel plant was setup in West Bengal in 1936 when Indian Iron and Steel Company, acquired the Bengal Iron and Steel Company. This was the second Integrated Steel Plant (ISP) in the country, after Tata Iron and Steel Company setup in 1907 at Jamshedpur in Jharkhand.
The iron and steel industry prospered in eastern part of the country particularly in West Bengal due to its close proximity to raw materials and reserves, cheap skilled man power, large market, good institutional structures, access to a large market and above all, sound development of the steel intensive sectors like engineering, large scale infrastructure projects that came up due to massive investment in first two five year plans. Durgapur Steel Plant came up in the year 1956 with a capacity of 1.8 million tones per annum.

Coal is one of the most significant inputs in the production of iron and steel. The fall in coal production in the State caused a shortfall during 1977-78, in the distribution of coal to the iron and steel industry at the State level. This shortfall along with dislocations in transport facilities, caused once again by the flood and affecting seriously the number of incoming wagons to the major steel plant, was significantly responsible for the fall in outputs of the industry in 1978.

Production of steel in the State is an upward trend. The production of pig iron 1984.40 thousand MT, steel ingots 1667.70 thousand MT, as well as finished steel 1047 thousand MT was higher in 1987 than pig iron 1951.10 thousand MT, steel ingots 1620.60 thousand MT and finished steel 905.00 thousand MT in 1986. The steel industry in the State is an urgent need of modernization.

The production of the finished steel increased from 10.91 lakh MT tones in 1996 to 12.98 lakh MT in 1997. The steel industry in the country is passing through difficult times. After the sudden lowering of import tariff by the Central Government, the steel units specially the rolling mills in the country and in the State are finding it difficult to cope with the unequal competition from imported steel. Moreover, in 1998, recession in the Indian
economy has resulted in most steel plants having surplus stocks. A drastic change in policy is necessary if the steel industry in the country is to survive and develop. The most important issue in the steel industry for the West Bengal is the quick rehabilitation of IISCO.

The production of finished steel in 2003-04 declined to 16.11 lakh tones from 17.27 lakh tones in 2002-03. In the first six months of 2004-05, production of finished steel at 4.93 lakh tones was slightly higher than the production of 4.80 lakh tones in the same period of 2003-04.

Two most prominent iron and steel plants of the country are located in West Bengal; at Durgapur and Bumpur near Asansol. Durgapur Steel Plant (DSP) and Indian Iron and Steel Company, both are located in Burdwan district of West Bengal in Ranigang-Asansol Coal field area.

Durgapur Steel Plant (DSP) is one of the major industrial units in West Bengal. After its modernization, DSP has state-of-the-art technology for Iron and Steel making. The crude steel making is through BOF Route. The billets are manufacture by the Continuous Casting. DSP has acquired quality assurance system certificate for its Steel making complex, Blooming and billet mill, Merchant mill, Skelp mill, Section mill and Wheel and Axle plant. DSP is privileged to be the only manufacturer of forged wheels and axles in India. Moreover, its Thermo Mechanically Treated (TMT) Bars which are used in construction industry are quite superior to the normally available Cold Twisted Deformed (CTD) Bars.

DSP exports lot of their products to South East Asian and nearby countries. The Steel Melting Shop has VAD process and Wire Injection Systems which helps in the production of large range of special quality of steel products. DSP has a capacity to produce 1.92 million tones of hot metal,
1.8 million tones of crude steel and 1.586 million tones of saleable steel annually.¹

The Indian Iron and Steel Company Ltd. (IISCO) is a subsidiary of Steel Authority of India Ltd. (SAIL). It is Asia’s first steel plant which started production of iron in 1875 in its Kulti unit. The Burnpur steel plant was setup in 1918 and began producing steel in 1939. It is the second oldest integrated steel plant in Asia; the first one being, Tata Iron and Steel Co. at Jamshedpur.

The Burnpur plant of IISCO is also known as Ruhr of Bengal. It is composite steel plant since it not only has a coke making, iron making and steel making facilities but also rolling mills that produce structures, rods and bars and special sections. It has captive power plant, oxygen plant, machine shops and project engineering. IISCO has captive collieries at Chasnalla (Dhanbad), Jitpur (Jharia) AND Ramnagore (Ranigunj) and iron ore mines at Gua and Chiria (West Singhbhum) and Manoharpur (Orissa). IISCO also has foundries at Kulti. It consists of three cast iron foundries, one steel foundry, one non-ferrous foundry, pattern shops, machine shops and two spun pipe plants.²

Consequent upon liberalization, West Bengal along with some other leading states took the lead in bringing investment in the Iron and Steel Sector. In the first eleven years after liberalization (1991-2001), 126 industrial projects in the iron and steel sector were implemented in West Bengal involving investment of Rs. 6528.28 crore and which iron and steel sector accounted for 33% of the total investment in industries in West Bengal during this period.³

¹. Investment, Industry and Trade in West Bengal (March 2002): Directorate of Industries, Govt. of West Bengal, Quarterly Bulletin, Vol.1, No.4 p 29.
4.5. Leather:

The State Government in the small-scale industries development programme has identified the leather industry as a thrust area. The State Government has made the various promotional measures like incentives, provision of soft loans etc to assist small-scale industries. It is also made of special efforts to encourage educated unemployed youth to set up tiny leather manufacturing units by training them in improved leather manufacturing technology through a well developed training infrastructure, by providing them financial assistance through various self employment scheme like PMRY, SESRU, and by allowing them to set up units in various State developed industrial estates.

During the decade of eighties, the State Government was trying to developed leather industry and improved the condition of cobblers through arrangement of training and servicing facilities in footwear and other leather goods industry. Two model service centres for footwear were functioned at Kolkata and Siliguri to provide modern machine service facility to local artisans against nominal charges. There was also a modal servicing centre for tannery at Tiljila, Kolkata, but now process of shifting the centre started few years back. The West Bengal Leather Industries Development Corporation (WBLIDC) has actively enjoyed in providing all these facilities and promoting market for leather goods.

As a result of these steps small-scale leather units are coming up in larger number till now. Table 4.5 shows from a total number of 14,500 units with an investment of 166.5 crore and employment 1.50 lakh persons in 1986-87, the number of units have gone up to 15,246 with a investment of Rs. 175.5 crore and employment potential at 1.64 lakh persons in 1987-88. It was
further in 1988-89, there were 16,000 units with a projected investment of Rs. 184.3 crore created an employment potential of 1.72 lakh persons.

The leather industry has explored export market also. In 1987-88 Rs. 150 crore work of leather goods have been exported and it increased to Rs. 175 crore in 1988-89. West Bengal was the highest foreign exchange earner from export of finished leather goods among the States in India. In 1997-98, export of finished leather goods from West Bengal amounted to Rs. 667.18 crore.

The State Government has established a well-knit training organization for training artisans and others in modern leather manufacturing technology. The Central Footwear Training Centre (CFTC) at Budge Budge provides training to unemployed youth and others on footwear trade and footwear manufacturing, designing, use of modern machinery and on up dated technology.

The Department of Cottage and Small Scale Industries in collaboration with National Leather Development Project (NLDP) and KVIC conduct jointly cobblers training at Kalyani. As a result of all these measures, Table-4.5 shows that, the number of small-scale leather manufacturing units continuously increased from 17,800 in 1993-94 to 19,750 in 1997-98. Employment in the small-scale leather industry has also increased from 2.080 lakh in 1993 to 2.103 lakh in 1997. While on the other hand, production of finished leather has a declining trend in the last few years and this trend continued till now. The uncertainties created by the compulsion of shifting the tanneries from their existing location to the new leather complex at Karaidanga has been chiefly responsible for the decline in the production of leather. Until the tanneries shift to the new leather complex it is doubtful whether finished leather production will pick up.
### Table - 4.5

**Total no. of Units and Employment in Leather Industry**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total no. of Units</th>
<th>Employment (Lakh Person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>14500</td>
<td>1.5</td>
</tr>
<tr>
<td>1987-88</td>
<td>15246</td>
<td>1.64</td>
</tr>
<tr>
<td>1988-89</td>
<td>16000</td>
<td>1.72</td>
</tr>
<tr>
<td>1993-94</td>
<td>17800</td>
<td>2.08</td>
</tr>
<tr>
<td>1994-95</td>
<td>18325</td>
<td>2.088</td>
</tr>
<tr>
<td>1995-96</td>
<td>18800</td>
<td>2.096</td>
</tr>
<tr>
<td>1996-97</td>
<td>19201</td>
<td>2.099</td>
</tr>
<tr>
<td>1997-98</td>
<td>19750</td>
<td>2.103</td>
</tr>
<tr>
<td>2003-04</td>
<td>22000</td>
<td>2.001</td>
</tr>
</tbody>
</table>

*Source: Economic Review (various issues) Govt. of West Bengal*
Beside hurdle of aforesaid problems, West Bengal still play a vital role in the processing and manufacturing of leather and leather goods for the domestic market. The State has contributed 17.32% of the total export of leather goods from India. West Bengal has 538 tanneries and nearly two lakh people were engaged in 22,000 leather goods manufacturing units in the State during 2003-04.

The government has also elaborate training infrastructure for upgrading the knowledge and skill of the artisans and small entrepreneurs. Training programmes on footwear and leather goods production are organized by the DICs in their respective districts. Training programme for women entrepreneurs on the production of fancy leather goods were organized at Kolkata. In collaboration with the Central Footwear Training Institute, Agra, footwear project has been started in Bankura district under which training is given to the artisans and owners of small units for upgrading skill in footwear production.

Though, through Table 4.5, trend shows that leather industry is under the process of development. But it also needs a big push to generate and expand more powerful growth rate of leather finished product in future. In these circumstances, the State Government should play a major part to provide assistance to the small-scale leather units/artisans through participation in fair like LEXPO, EXPO, IITF (New Delhi) etc. State Government should also provide marketing facilities to the small-scale units by selling their products through its retail outlets. It also tries to collect order from various government organizations and the orders are executed by procuring finished products from the small leather goods manufacturing units.

In this context, The Government of West Bengal has set up a state of art integrated Leather Complex on the eastern fringe of Kolkata at
Karaidanga, about 14 km from the EM Bypass on Kolkata-Basanti Road. The complex is spread over an area of 1100 acres and designed to house all activities connected with leather industry. After completion, the leather complex will be largest leather complex in the world capable of processing 1000 tones of raw hide per day.

**4.6. Index Number of Industrial Production:**

The index of industrial production in the State, presented in Table 4.6 shows a fall from 117.2 in 1978 to 114.8 in 1979. The index, however, is composed of three different indices relating to the sector on manufacturing, electricity and mining. The relative weights of these three indices and the trends over the last five years, from 1975-79, where showed in the Table-4.6. It is evident that this fall is the total index is more due to fall in the production of mining and electricity than in the manufacturing sector as such.

The fall in the production index for the manufacturing sector has evidently marginal and this marginal fall, in its turn, was a resultant of two types of factors. There was, on the one hand, a fall in the production of traditional industries such as jute, tea, and cotton textile. On the other hand, there were also indications of growth from the non-traditional industries. The State Government has a very limited control over the existing system of reporting from the organized industries and as a result, the production performance, particularly of the newly emerging non-traditional industries, could not be adequately reported in the construction of production index for the manufacturing sector.

However, for maintaining continuity and providing comparable date, the overall index number of industrial production with 1970 as base as given in Table 4.6. This movement of overall index of industrial production indicates the aggregate picture in the sector of large and medium industries. It
Table - 4.6

Index Number of Industrial Production in West Bengal
(Base :1970=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining and Quarrying</th>
<th>Manufacturing</th>
<th>Electricity</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>118.6</td>
<td>102.7</td>
<td>99.9</td>
<td>104.3</td>
</tr>
<tr>
<td>1976</td>
<td>127.5</td>
<td>119.1</td>
<td>121.9</td>
<td>120.1</td>
</tr>
<tr>
<td>1977</td>
<td>124</td>
<td>121.9</td>
<td>118</td>
<td>121.9</td>
</tr>
<tr>
<td>1978</td>
<td>111.8</td>
<td>117.7</td>
<td>121</td>
<td>117.2</td>
</tr>
<tr>
<td>1979</td>
<td>100</td>
<td>116.5</td>
<td>118.4</td>
<td>114.8</td>
</tr>
<tr>
<td>1981-82</td>
<td>107.38</td>
<td>105.49</td>
<td>110.2</td>
<td>106.06</td>
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<tr>
<td>1982-83</td>
<td>101.52</td>
<td>104.24</td>
<td>121.82</td>
<td>104.93</td>
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<tr>
<td>1983-84</td>
<td>95.91</td>
<td>104.45</td>
<td>126.25</td>
<td>104.55</td>
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<tr>
<td>1984-85</td>
<td>98.34</td>
<td>99.43</td>
<td>138.37</td>
<td>101.67</td>
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<td>1985-86</td>
<td>99.14</td>
<td>103.83</td>
<td>158.77</td>
<td>106.53</td>
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<tr>
<td>1986-87</td>
<td>101.55</td>
<td>110.55</td>
<td>165.06</td>
<td>112.59</td>
</tr>
<tr>
<td>1987-88</td>
<td>104.3</td>
<td>111.06</td>
<td>192.79</td>
<td>115.11</td>
</tr>
<tr>
<td>1988-89</td>
<td>111.85</td>
<td>117.89</td>
<td>196.72</td>
<td>121.86</td>
</tr>
<tr>
<td>1989-90</td>
<td>98.72</td>
<td>120.78</td>
<td>218.98</td>
<td>123.6</td>
</tr>
<tr>
<td>1990-91</td>
<td>87.83</td>
<td>124.99</td>
<td>219.48</td>
<td>125.39</td>
</tr>
<tr>
<td>1991-92</td>
<td>93.71</td>
<td>124.41</td>
<td>249.8</td>
<td>127.66</td>
</tr>
<tr>
<td>1992-93</td>
<td>101.16</td>
<td>124.42</td>
<td>275</td>
<td>130.31</td>
</tr>
<tr>
<td>1993-94</td>
<td>85.13</td>
<td>129.83</td>
<td>302.5</td>
<td>133.94</td>
</tr>
<tr>
<td>1994-95</td>
<td>81.8</td>
<td>139.99</td>
<td>331.8</td>
<td>143.32</td>
</tr>
<tr>
<td>1995-96</td>
<td>99.5</td>
<td>155.27</td>
<td>343.24</td>
<td>158.71</td>
</tr>
<tr>
<td>1996-97</td>
<td>97.47</td>
<td>169.51</td>
<td>343.4</td>
<td>169.71</td>
</tr>
<tr>
<td>1997-98</td>
<td>91.84</td>
<td>179.25</td>
<td>342.03</td>
<td>176.53</td>
</tr>
<tr>
<td>1998-99</td>
<td>83.33</td>
<td>186.81</td>
<td>352.49</td>
<td>181.93</td>
</tr>
<tr>
<td>1999-2000</td>
<td>88.22</td>
<td>199.6</td>
<td>409.8</td>
<td>196.31</td>
</tr>
</tbody>
</table>

shows that the trend of development rate of manufacturing and electricity were continuously increasing at the increasing rate till the end of the year 1999-2000, except some minor decline trend of manufacturing units in 1991-92 and in case of electricity in 1997-98. On the other hand, in general trend of index number of industrial production in West Bengal was quite satisfactory, i.e., it was started from 104.3 in 1975 to come under just double, 196.31 in the year 1999-2000. But in the case of mining area has a poor performance particularly after 1993-94.

Though, India was passing through a sever recession and still unable to come out from this setback. Therefore, the growth rate is estimated to have further slowed down. For that reason, it also affected West Bengal, where, the index of industrial production for the manufacturing sector increased in 1997-98 to reach 179.25 from 169.51 in 1996-97. The index of production for the mining and quarrying sector continuously declined 99.5 in 1995-96 to 88.22 in 1999-2000, mainly because of production of coal declined in 1997-98 to 17.93 million tones from 19.03 million tones in 1996-97. The index of production of electricity sector, though continuous increased the generating power since under review period, but also registered a declined from 343.40 in 1996-97 to 342.03 in 1997-98, because generation of power in the State declined from 20,312 MU in 1996-97 to 20,233 MU in 1997-98. The lower generation of power in 1997-98 was because of inadequate system demand especially during off peak period. Despite these declined in coal and electricity production, the general index number of industrial production in the State for reason mentioned before rapidly increased from 125.39 in 1990-91 to 196.31 in 1999-2000. However, there are indications that the State has poised to registered higher industrial growth rate in 1999-2000 due to the
index of industrial production for the manufacturing and electricity sector increased.

4.7. Finance:

Against the background of all such paradoxes and anomalies and structural retrogression in the industrial life of West Bengal, reforms may go either way (a) in terms of revamping the old structure of the traditional industrial sector or (b) in terms of giving the non-traditional sector, with large value added, the required shape and direction. Of course, for both these approaches the basic requirements are the appropriate strengthening of the economic and financial infrastructure, industrial peace, elastic supply of expertise, governmental facilities through policy incentives, external economy and linkage benefits, marketing facilities, etc. Purely financial point of view, it is often argued that in the recent past the credit deposit ratio in West Bengal has been found to register a marked decline the cause of which may be traced to industrial stagnation along with instability of agricultural production. It is also, of course, empirically true that the per capita Central assistance for West Bengal had been much less than the all India average during the period 1970 to 1985.

The West Bengal Financial Corporation (WBFC) is the prime State agency for providing financial assistance to the small-scale industry sector. The different types of financial assistance provided by WBFC to the small-scale industries include soft loans, equity participation, equipment refinance, composite loans (terms and working capital loan upto Rs. 50,000), special scheme of assistance for women entrepreneurs, single window facilities, etc. WBFC has identified a few thrust areas and is expected to concentrate its resources in these areas. These thrust areas are (a) industries based on locally available materials (b) export oriented units. Given these areas of priority,
WBFC has concentrated on agro- industries like silk reeling industry in Malda and Murshidabad, fertilizer production units, food processing units. WBFC has also tried within the broad parameters of its thrust areas, to promote electronics and chemical industries. WBFC is also holding registration camps at various growth centres of the districts for inducting potential entrepreneurs through active interactions. This involves updating the prospective entrepreneurs on the various schemes and assistance available from WBFC for promoting industries.

In so far as the financial assistance of West Bengal Financial Corporation (WBFC) to small units are concerned, there has been in 1975-80 some increase in share of small units both with respect to number of units covered and the amount of loan disbursed. The possibilities of improvement however persist here, particularly with respect of percentage of the total loan disbursed to the small units. In the provision of finance, in addition to these programmes, term loans are available from the WBFC. The trends in this assistance in terms of improvements in the share of small units, both in the total number of units assisted and in the total assistance disbursed, appeared to be required direction.

Table 4.7 indicates that in 1975, WBFC sanctioned Rs. 426.26 lakh of financial assistance to 261 units of small-scale industries, while Rs. 1196.86 lakh sanction to others 135 units in the same year. Here Table 4.7 shows the trend that WBFC has been continuously enhanced the financial assistance for smooth function of small-scale industries and manufacturing industries in the State. From 1985 to 1990, WBFC financial assistance has increased more than four times i.e. from Rs. 4932.17 lakh to Rs. 16988.87 lakh, where as number of small-scale industries also increased from 3,544 to 12,142 during 1985-90. WBFC mainly concentrated to uplift small-scale industries to bring
<table>
<thead>
<tr>
<th>On 31st March</th>
<th>Small-scale</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount</td>
<td>Number</td>
</tr>
<tr>
<td>1975</td>
<td>261</td>
<td>426.26</td>
<td>135</td>
</tr>
<tr>
<td>1980</td>
<td>695</td>
<td>1465.26</td>
<td>157</td>
</tr>
<tr>
<td>1985</td>
<td>3544</td>
<td>4932.17</td>
<td>210</td>
</tr>
<tr>
<td>1990</td>
<td>12142</td>
<td>16988.9</td>
<td>265</td>
</tr>
<tr>
<td>1995</td>
<td>17745</td>
<td>31665.9</td>
<td>288</td>
</tr>
<tr>
<td>2000</td>
<td>21019</td>
<td>53049.1</td>
<td>523</td>
</tr>
<tr>
<td>2004-05(P)</td>
<td>21543</td>
<td>66496</td>
<td>668</td>
</tr>
</tbody>
</table>

Source: West Bengal Financial Corporation.
more and more opportunities for employment. Therefore it will lead to increase the level of standard of people through economic growth and development in the State.

Under it single window scheme, WBFC assists smaller of the new small-scale industries units whose promoters find it difficult to find commercial credit from banks. According to Table 4.7, in 1995, WBFC sanctioned Rs. 41,242.75 to 18,033 units under the scheme. Out of which it sanctioned Rs. 31,665.9 lakh to 17,745 units of SSI units in this period. WBFC also sanctioned to women entrepreneurs under he scheme derived to assist women entrepreneurs.

WBFC also provided finance to first generation entrepreneurs under Special Employment Programme for Urban and Semi Urban Areas (SEPUSUA) Scheme. In 1997-98, WBFC provided Rs. 155.62 lakh to 46 units under SEPUSUA. WBFC has during 1997-98 introduced a new working capital term loan facility to assist deserving small and medium scale units in obtaining term loan and working capital under one roof. In 2004-05(p), WBFC sanctioned total amount of Rs. 1, 07,151 lakh for 22,211 units, out of which Rs. 66,496 lakh sanctioned to 21,543 units of small-scale industries. This shows that there is a healthy trend of financial assistance by WBFC.

Table 4.7 shows that WBFC acts as the model agency for providing financial assistance to the small scale sector. In the year 2003-04, WBFC achieved a pre-tax profit of Rs. 223.85 lakh. It sanctioned a sum of Rs. 11,778.69 lakh to 338 numbers of small scale industry and other ancillary units and actually disbursed an amount of Rs. 10,137 lakh. In 2003-04 major thrust was given on manufacturing units like food manufacturing, chemical and chemical product/pharmaceuticals, plastic product and service units like hotel, road transport, medical clinics/nursing home, etc. The corporation also
provided financial assistance under composite loan scheme in order to assist smaller units in small-scale industries sector, artisan and other skilled persons.\(^1\)

Together with these steps towards the closed and sick units, assistance has also been provided for the setting up the new units in the organized sector through the WBIDC in terms of under writing of shares and debentures, direct participation in share capital, provision of loans, etc. In addition, there were incentives relating to feasibility study, installation of captive power generators, return on sale tax as loan and, specially important, subsidies on additional employment and use of local resources. There has been a significant increase in the amounts actually disbursed under incentives and other forms of assistance in recent years.

Apart from directly setup industrial units, whether on its own or in the joint sector, the State Government provides through West Bengal Industrial Development Corporation (WBIDC) incentives and private investment in the industry sector in the State. These include the provision of loans, direct participation in share capital and provision of incentives ranging from refund of sale tax, power subsidy, capital investment subsidy, employment subsidy etc. The financial assistance sanctioned and disbursed by WBIDC. It also promotes industries in the joint sector. The State Government envisages a break through in technical sphere with the help of its modernization programme which offers a package of assistance in the form of soft loan.

Technological development programmed have been taken up in collaboration with National Laboratories, for traditional village industries of Bankura district like fishing hook, pottery, brass metal industry etc. WBIDC is engaged in promotional activities in the small scale sector.

The corporation has provided infrastructure facilities, supplying scarce raw material and providing marketing assistance. It has established 30 units, assistance sanctioned and disbursed the amount of Rs. 2,629.06 lakh and 2,642.17 lakh respectively in the year 1987-88. Scares raw materials such as iron and steel, paraffin wax, titanium di-oxide etc, worth Rs 7,894.69 lakh invested during 1987-88. It was exploring the possibility of supplying items like raw rubber, basic drugs, specific chemicals etc. The corporation has run through its subsidiaries, a china clay washer project at Bhirbhum, a cement substitute plant at Purulia, a printing press and a battery charger manufacturing units at Kolkata.

In spite of the worldwide recessionary condition which has enveloped Indian industry also. West Bengal continued to receive a significant number of industrial development proposals in 1997-98. While in 1996, the total number of industrial approvals received by West Bengal was for 308 projects involving an investment of Rs. 6,886.54 crore in 1997, investment approvals received by the State were for 269 projects entailing an investment of Rs. 15,166.84 crore. In 1998, the number of investment approvals received by the State was 94 with total investment of Rs. 1,363.58 crore. This included NRI/FDI projects. The buoyant industrial investment situation in the State is also indicated by the large number of industrial investors approaching Shilpabandhu, the single-window clearance cell of the WBIDC, for instance, between November, 1994 and 1998, Shilpabandhu 950 projects successfully. The WBIDC is the principal promotional agency of the State Government catalyzing investment in medium and large scale industries sectors. The corporation has also diversified its activities to areas such as merchant banking, venture capital, infrastructure development in selected areas and exports. The corporation is also managing the single window agency for
escort services—'Shilpa bandhu' which has sources personnel drawn from different debts and agencies of the State Government required to deal with industrial development. The objective is to provide the entrepreneur effective support in various fields from the identified place of work. In 1997-98, 35 projects were implemented with a total investment of Rs. 403.08 crore.\textsuperscript{1}

WBIDC is the prime State level agency for promoting industrial investments in the State. It also promotes major infrastructural projects in the State. WBIDC finances medium scale industries through the provision of term loans, provides escort services and facilities the implementation of investment proposals. It also develops business trade and industrial links with foreign institutions and companies, conceptualized new projects and develops and nurture entrepreneurship in the State. WBIDC in recent years has diversified its activities to merchant banking, venture capital and is now recognized as an export house. WBIDC also disburses State incentives to medium and large scale industries. Shilpabandhu, the one window facility for medium and large scale industries, is managed by WBIDC.

Total loan provided by WBIDC to industrial units increased in 1998-99 to Rs. 2,049.55 lakh from Rs. 1,931.70 lakh in 1997-98. Incentive disbursed by WBIDC also registered a quantum jumped from around Rs 2,868. 04 lakh in 1997-98 to Rs.4, 384.7 lakh in 1998-99. WBIDC has prepared 200 project profiles which were given to prospective entrepreneurs free of charge.\textsuperscript{2}

WBIDC has given more attention to the development of infrastructure facilities. WBIDC is the main state level agency for promoting and assisting industries in the medium and large scale sector. The principle functions of WBIDC are:

\textsuperscript{2} Ibid, p 48.
a) Financing the medium and large scale industries through loans, equity participation, provision of bridge loans against admitted incentives equipment refining for existing profit making unit, bill discounting, etc.

b) Administrating the State incentive scheme for industries.

c) Promotion of industrial units in the joint sector.

d) Providing escort services through Shilpabandhu and State Investments Facilitation Centre.

e) Development business, trade and industrial links with foreign institutions and companies.

f) Conceptualizing of new projects and entrepreneurship development.

g) Diversification of activities to areas like merchant banking, venture capital, infrastructure and exports.

In 2003-04, WBIDC sanctioned loans amounting to Rs.9,634 lakh against an average annual sanction of around Rs. 40-45 crore prior to 2002-03. Actual disbursement of loans in 2003-04 was Rs. 8,108 lakh. In 2004-05, disbursement was Rs. 4,722 lakh up to 31st December, 2004. In 2003-04, WBIDC disbursed Rs. 1,425 lakh under the State Incentive scheme.

The WBIDC has continued to play the role of premier State Government Agency responsible for promotion of industrial and infrastructure investment in the State. Over the years, the corporation has developed core competencies in a varied spectrum of activities ranging from financing to that of facilitation of new investments. The corporation has been playing a pro-active role in assisting implementation of new investment through Shilpabandhu. The agency has obtained the required mandate to making it easier for investors to obtain all clearance.

The WBIDC is the focal point for promotion of industries. The WBIDC is the leading state level agency which primarily facilitates growth and
promotion of medium and large scale industries. The agency has obtained the required mandate to implement changes, so that life becomes simpler for the investors in getting all clearance.¹

It has expanded its activities to export merchant banking, management of venture capital funds and an infrastructure development finance company. **Shilpa-bandhu:** WBIDC’s Shilpa-bandhu (friendly of industry) is a ‘single window’ agency functions from the office of WBIDC with emphasis on speedy clearances. The corporation offers escort service to new projects, help in project formulation and financing. This according to New York Times is the best of its kind in India. A one stop-shop unit, it has user friendly packages for investors, providing them with information, guidance, identification of key areas of investment and development assistance.

The Small Industrial development Agency (SIDA) is a one window facility for SSI units with investment in plant and machinery of over Rs. 2 lakh. Under Additional Employment Programme (AEP), the State Government provides margin money loan to new entrepreneurs setting up SSI units. The State Government has also been successful in realizing Rs. 7.30 lakh from defaulter units covered under the scheme.

The West Bengal Small Industrial Corporation (WBSIC) assists small-scale industries in the state by constructing industrial estates, providing marketing and assistance and outlets and by supplying scares raw materials to SSI units.

In the post liberalization era, West Bengal also came forward with the package of incentives. A comprehensive incentive scheme was introduced in 1993. It provides subsidy on fixed capital investments, exempts new units and expansion scheme outside Kolkata municipal area from paying electricity

duty for five years. To overcome chronic problem of getting bank finance to SSI units, WBFC has been invigorated to provide more assistance to SSI units. WBFC acts as the nodal agency for providing financial assistance to the small-scale sector. In the year 2003-04, WBFC achieved a pre tax profit of Rs. 223.85 lakh. It sanctioned a sum of Rs. 11,778.69 lakh to 338 numbers of SSI and other ancillary units and actually disbursed an amount of Rs. 10,137 lakh. During this period major thrust was given on manufacturing units like food manufacturing, chemical and chemical products/ pharmaceuticals, plastic product and service units like hotels, road transport, medical clinics/nursing home, etc. During the financial year 2003-04, an amount of Rs.11 lakh was sanctioned and a total sum of Rs.9 lakh was disbursed to 16 small-scale units.)

4.7.1. Problems:

Generally the IDBI and IFC help to develop the industrial units. But the distribution of bank deposits is also unequal and all these factors are responsible for the poor development of small-scale industry in West Bengal. There are further examples of Central Government's indifferent attitude towards the industrial development of West Bengal. Naturally West Bengal requires its own bank for the development of industries and employment. If West Bengal gets its own bank, all the government and semi-government organizations will deposit the amount of provident fund and gratuity of their employees and this will come under fixed deposit account. West Bengal did not get appropriate funds in any of the Five Year Plans. Most of the States received more funds than West Bengal.

The year 1998-99 has been particularly difficult for all the States and for West Bengal also, for a number of reasons. The State has received about Rs. 1000 crore less that what was originally estimated by way of devolution
of funds from the Center.\textsuperscript{1} Given the committed nature of non-plan expenditure, there was not much scope for its reduction. The short fall in Central devolution, therefore, had adversely affected the balance from the current revenues of the State with its consequential impact on the overall resources for the plan. The financial position of the State Government deteriorated from the year 1998-99 due to hike in non-plan expenditure mainly because of two fold increased in expenditure towards payment of salaries and others to State Government employees over the last six years due to the revision of pay of the Central Government on the basis of the recommendations of the fifth central Pay Commission.

Another leading problem area of the State’s economy is its dire fiscal situation. The State of public finances of the West Bengal Government is currently quite alarming. Newspaper reported that West Bengal’s expenditure on three heads in the current fiscal year—salaries, pensions, and interest payments on past loans—alone amounted to 110\% of its total revenue. As a result the government borrowed not only to fund any development programmes but also to pay its wage and pension bills.\textsuperscript{2} West Bengal has resorted to overdrafts with the RBI as many as 134 times during 2000-01. The underlying reason for West Bengal’s financial distress is that its revenues are chronically and increasingly falling short of operating expenditures.

To improve tax compliance and also help increasing revenue growth, the State Government was committed to introduce VAT system in lieu of sale tax from 1\textsuperscript{st} April, 2005.

\begin{flushleft}
\textsuperscript{1} Asoke Mitra, Basumati, 26\textsuperscript{th} July, 1983.
\textsuperscript{2} The Telegraph, May 30, 2002.
\end{flushleft}
4.8. PORT:

West Bengal itself is one of the prime states of the exportable commodity from where the goods are exported through West Bengal port. Performance of the port location in the State will give an indication about increase of entrepreneurship, technological upliftment, effect of infrastructure development, efforts of government and trade promotion council, Chamber of Commerce and different development corporation of West Bengal.

Kolkata and Haldia ports play a major role of export and import. Kolkata Port- the oldest port in India came in existing in the year 1870. In 1998-99 the Kolkata port handed 9.163 million tones of cargo. In 1999-2000 the cargo had increased to 10.311 million tones. Kolkata port total facilities are grouped into four location steps: Kidderpore Dock, Netaji Subhash Dock, and Petroleum Wharf at Bajbaj and Anchorage at Diamond Harbour. Kolkata port is connected through eastern railways. To cope with the requirement at the trade, the Kolkata port started container handling facilities. In its modernization programme a new approach jelly at Netaji Subhash Dock to induct modern multipurpose vessels for marine services is completed. Kolkata port is also the first in India to introduce VTMS system for a better service to maritime shipping. It also setup the facilities of Floating Storage Off take.

Haldia Dock Complex was commissioned in the year 1977 on the western bank of river Hoogly. It was projected to cater to the increasing foreign trade. It was the first modern port project taken up in India having the facilities to handle all types of traffic and bulk cargo and provide full -fledge container-handling facilities. Haldia Dock Complex handled 20.224 million tones of cargo in 1998-99 which increased to 20.690 million tones in 1999-
2000.¹ Sea ports at Kolkata and Haldia are playing important role of exports to our neighbouring countries. But exports through the port in West Bengal declined to Rs. 5776.82 crore during April-Sept, 2002 from Rs. 6449.53 crore during April-September 2001. During April-September, 2002 reveals that the export increased from Kolkata port by 3.4%, but it declined at Haldia by 12.7%. The main reason behind it is that ongoing global recession affecting the economy of the neighbouring countries of West Bengal and inadequacy of basic infrastructure at different ports, particularly land customers station seems to be the major reason for fall in exports during April-September 2002.²

During Jan-Mar, 2003, cargo handled by Kolkata-Haldia Dock System has made remarkable improvement. On year to year basis, Kolkata-Haldia Dock System handled 35.7 million tonnes of cargo during 2002-03 as compared to 30.4 million tonnes of cargo handled during 2001-02. Thus, cargo handled at Kolkata-Haldia Dock System during 2002-03 grew by 17.6% over the previous year.³

Export from Kolkata Dock System increased from 8.24 lakh tonnes in 2002-03 to 10.70 lakh tonnes in 2003-04 and import also increased to 75.03 lakh tonnes in 2003-04 from 6230 lakh tonnes in 2002-03. Export from Haldia Dock complex increased to 98 lakh tonnes in 2003-04 from 84.80 lakh tonnes in 2002-03 and import through this port increased to 225.59 lakh tonnes in 2003-04 from 201.23 lakh tonnes in 2002-03. Haldia at present in terms of Cargo handled in much bigger than the Kolkata Port. In fact, in terms of traffic


². Investment, Industry and trade in West Bengal Directorate of Industries, Govt. of West Bengal, Mar. 2002 vol. No 4.

handled in the period April to December 2004, Haldia port was the fourth largest port of India.¹

During April-September 2004, export through the ports of West Bengal was gone up by 30.6% over the corresponding period in the previous year. The export through the ports of West Bengal increased to 10,138.70 crore during April-September, 2004 from Rs.7761.85 crore during April 2003. The port wise export data reveals that export through Kolkata-Haldia dock system revealed significant growth of 83.7% during April-September, 2004 over the corresponding period in the previous year.²

Kolkata port being the Indian oldest and only revering port is facing the problem of shallow droughts ranging between 7 to 8 meters at both its dock systems at Haldia and Kidderpore. Most of the land custom stations of the state are suffering from bad road connections. Though in recent past some initiatives have taken to improve the bad conditions but that is far from catering to the existing need. Inadequate basic infrastructure facilities at different ports are affecting exports through different ports, particularly at land custom stations.

Unfortunately, one is less optimistic when talking about the State of Kolkata port. Once the trade lifeline in the east, Poor cargo handling facilities and exorbitant port charges have compelled many leading shipping lines to abandon the dock in favour of deep drought sea port like Paradeep, Vizag and Chenia. Ironically, Haldia, which is the country cheapest dock complex remaining grossly underutilized with the administration curiously projecting Kolkata in the main port.

This to the large extent is fallout of the unholy nexus between troublesome labourers, corrupt clearing agents and other vested interest, who wield considerable influence in the board of trustees.

Bengal was once a torchbearer in industrial development. But, in recent time, the development of other states in the industrial field coupled with the development of technology has put Bengal a bit backward. Critics say that Bengal has missed the bus to development. However, of late, the government has initiated steps to bring back the glory of Bengal.

Among the steps initiated, the most important is the development and promotion of Haldia as an industrial township; a separate Haldia Development Authority was created long ago. Haldia has guaranteed non-stop power supply. Separate dedicated units at Kolaghat Sea to it, that Haldia get uninterrupted power. The construction work was near about Rs. 5170 crore. Haldia petrochemical project has started at the end of 1999. The Haldia Petrochemical Project installed a 116 MW cycle captive power plant based on Nephtha as fuel in order to meet the entire steam and power requirements.

Investment in large scale industry, such as Haldia Petrochemicals, is also fraught with a number of risks and uncertainties. Managing such a large joint venture between diverse stakeholders and raising necessary finances has already shown significant strains. More fundamentally, the challenges of managing such large-scale enterprises are immense. The larger the industry therefore suggests large firms will suffer from poor management. Firms had to close because they were unable to negotiate the right deals with the workers. While one hopes that the Haldia project will indeed survive and prosper, it would not be wise to pin the prospects for individual revival entirely here either.
Chapter - 5
Performance of Small Scale Industry
Chapter - 5

Performance of Small Scale Industry

The small-scale industries are organized out of a few categories of handicrafts, cottage industries, village industries etc. Though these industries have certain differences in character, in a broad sense all these can be grouped under “Small-scale industries”. A cottage industry is thus one, which is carried on wholly or primarily with the help of members of the family either as whole or part time occupation. A small-scale industry on the other hand is one, which is operated mainly with hired labour, usually ten to fifty hands.

According to Second Five Year Plan “The working definition adopted by the Small scale industries all units or establishments having a capital investment of less than Rs 5 lakhs and employing less than 50 persons when using power”. (Second Five Year Plan, Planning Commission, 1956).

In accordance with the view of the Ministry of Commerce and Industries, Government of India, the definition of small-scale industry is power used unit with a maximum capital of Rs 5 lakhs where less than 50 workers are engaged or power unused unit where less than 100 workers are engaged. But, in reality, the low limits of capital and number of workers as in the definition are discouraging the process with a view of coming out of their small-scale purview.

The West Bengal Government lays special emphasis on the growth and development of small-scale industries in the State. This policy imperative is not only because of the empirically established greater employment potential of small-scale industries, but also because being in general of malleable nature; small-scale industries can be spatially dispersed. This allows the
forging of the strategically important link between the agricultural and the industrial sectors at the local level.

Developments of small-scale industry in the state have been on top of the State Government’s political agenda. The State has put in place what it calls an effective industrial policy for fostering growth of the small-scale industries.

In the small-scale sector, there has been an encouraging trend in the number of units’ setup. This sector is loosing the pace of contributing in economic growth and development of the State. The Table 5.1 shows that the number of small-scale industrial units registered with the Directorate of cottage and small-scale industries by district in West Bengal. In initial stage from 1971-72 to 1989-90 small-scale industrial units tremendously grown up from 4,960 units to 29,636 units, but this sector faced a set back after 1990s due to introduction of liberalization policy.

The State Government, through the network of District Industrial Centre was encouraging growth of such industries in each district and exploring possibilities of starting new units in specific areas. The Panchayets were also taken initiative and suggesting fresh areas where potentialities can be developed along definite lines. As a result of different policy measures, each district is in a position to attract new units. Table 5.1, presents a district wise account of new registration since 1971-72 to 2003-04 years. It reveals that while more urbanized districts like 24- Parganas(N), Kolkata, Howrah, Burdwan, etc. are maintaining the status quo, some other relatively backward districts like Coochbehar, Darjeeling and Midnapore have done good job during 1971-72 to 1990s.

The State Government has tried to build up a strong base in this sector developing entrepreneurship, providing financial assistance and improving
<table>
<thead>
<tr>
<th>District</th>
<th>Number of Small Scale Industries</th>
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<tbody>
<tr>
<td>Burdwan</td>
<td>203</td>
</tr>
<tr>
<td>Birbhum</td>
<td>305</td>
</tr>
<tr>
<td>Bankura</td>
<td>127</td>
</tr>
<tr>
<td>Midnapur</td>
<td>331</td>
</tr>
<tr>
<td>Howrah</td>
<td>656</td>
</tr>
<tr>
<td>Hooghly</td>
<td>162</td>
</tr>
<tr>
<td>Parganas (N.)</td>
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</tr>
<tr>
<td>Parganas (S.)</td>
<td>471</td>
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<tr>
<td>Murshidabad</td>
<td>97</td>
</tr>
<tr>
<td>Dakshin Dinajpur</td>
<td>71</td>
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<tr>
<td>Jalpaiguri</td>
<td>71</td>
</tr>
<tr>
<td>Darjeeling</td>
<td>256</td>
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<tr>
<td>Cooch Behar</td>
<td>109</td>
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<tr>
<td>Purulia</td>
<td>124</td>
</tr>
<tr>
<td>Total</td>
<td>4,960</td>
</tr>
</tbody>
</table>

Source: Directorate of Cottage and Small Scale Industries, West Bengal
technical know how. Under the Entrepreneurial ship Development Programme; entrepreneurs have been trained in the districts in collaboration with technical and financial institutions like Electronics Testing and Development Centre, West Bengal Consultancy Organization, Small Industries Services etc. Women and ST/SC Artisans have been covered under the programme.

West Bengal had registered significant growth in small-scale industries before nineties. But in the nineties, after the introduction of the new liberalized policy by the Central Government, there has been sharp declined in the growth of small-scale industries in West Bengal and in other States of India. The primary reason for this is that commercial banks in the liberalized era, operating on strict commercial terms, were reluctant to finances small-scale units, especially new small-scale units, since they attract loans on soft terms and provide, in the banks perception, less assured prospect of recovery.

A clear indication that investment intentions in the small-scale sector in the State have been buoyant but have been thwarted by the lack of bank credit has given by the large number of small scale units obtaining registrations. Since 1991-92 to 2003-04, for instance, registered SSI units were continuously declined from 27,434 to 10,114.

The reluctance of banks to finance small-scale industries in recent years is clearly brought by the tardy progress of the nationally important Prime Minister’s Rojgar Yojana (PMRY) scheme. In 1997-98, 22,887 cases were sponsored to the banks under PMRY and of these only 4,699 cases received sanction of loans from the banks. Actual disbursements of loans by banks were for 2,051 cases. Moreover, the experience of the State authorities has been that the banks are far more reluctant to finance new SSI units not covered under such special schemes. The State Government have repeatedly
brought to the notice of the Central Government and relevant bank authorities the emerging alarming situation in the small-scale industry sector, but though the Central agencies agree on principle to the need for increasing the flow of credit to the SSI sector, there has been no perceptible change in the attitude of the banks. This has only to be expected if the banks under the new liberal dispersions were expected to operate strictly on commercial terms. Thus, the small-scale sector has been the major casualty of the new liberalized economic policy. This raises the fundamental issue of the relevance of plan and plans objectives where operationally function of the Government and its agencies are dictated by commercial norms. Moreover, SSI activities in the year 1998-99 were badly hampered by paralysis created by the Central Government’s changing definition of SSI. The limit of plant and machinery investment for small industry was enhanced from Rs. 60 lakh to 3 crore by Government of India by a notification issued on 10th December, 1997. Subsequently the Prime Minister announced in May, 1998 that the limit would be revised to Rs. 1 crore. But till date no further amendment of the Industrial (Development and Regulation) Act, 1951 has not been made nor any notification issued to that effect. Hence the official position is that the maximum limit for plant and machinery investment for small-scale industry is Rs 3 crore and provisional registration for new units is being given on this basis.

During 2003-04, 10,114 SSI units were registered out of which 1,522 units were permanently registered, while the remaining 8,592 units were registered only provisionally. A large number of temporary/provisional registrations indicate that the potentiality of investment in the small-scale sector continues to be significant, although the actual number of SSI units in operation has declined sharply each year compared to those of the pre-
liberalization era. One of the reasons for the decline may be gradual de-reservation of industrial items from the exclusive domain of the small-scale sector. The other constraint, presumably, be lack of credit.

It is evident from the above table that while the number of registration continued to be significant in and around Kolkata districts like Jalpaiguri, Coochbehar, Malda, Murshidabad, Midnapur also had encouraging number of SSI registrations. This indicates that opportunities have been created in such predominantly agricultural districts for the growth of economic activities in the secondary sector and, secondly, entrepreneurial talents are available to utilize such opportunities.

Table 5.2 reveals the year wise distribution of small-scale industrial units by zone in West Bengal during the period 1970-71 to 2002-03. The growth of small-scale units in Kolkata industrial zone (Comprising of Kolkata, Howrah, Burdwan, Hooghly and 24- Parganas) were of higher order in almost all these years than those in Gangetic (i., e. Midnapore, Murshidabad, Birbhum, Bankura, Nadia, Purulia) and North Bengal (i., e., West Dinajpur, Malda, Jalpaiguri, Darjeeling, Coochbehar) zones. However, the share of Kolkata zone (71% to 50% during 1970-2003) had been declining, while that of other zones increasing, though slowly. Despite over all increased contributions to small-scale industrial growth in West Bengal, the Gangetic (17% to 35%) and North (12% to 14%) zones had experienced stagnancy in their shares over a long period. However, it seems Gangetic zone has picked up a little in the latter part of the period under study.

It can be analyzed distribution of employment in small-scale industrial units by zone in West Bengal from Table 5.3. It shows the employment position in small-scale units in West Bengal. The number employed in small-scale industrial units in the three zones varies almost directly with the number
Table- 5.2

Yearwise Distribution of Small Scale Industrial Units by Zone in West Bengal.

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</thead>
<tbody>
<tr>
<td>Kolkata Industrial Zone</td>
<td>2252</td>
<td>8936</td>
<td>4913</td>
<td>7671</td>
<td>6180</td>
<td>12534</td>
<td>15000</td>
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<tr>
<td>Gangetic Zone</td>
<td>557</td>
<td>2501</td>
<td>2409</td>
<td>3717</td>
<td>4131</td>
<td>7093</td>
<td>9001</td>
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<tr>
<td>North Bengal Zone</td>
<td>380</td>
<td>1347</td>
<td>1723</td>
<td>2311</td>
<td>1902</td>
<td>3196</td>
<td>4535</td>
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<td>12784</td>
<td>9045</td>
<td>13699</td>
<td>12213</td>
<td>22823</td>
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<tr>
<td>Kolkata Industrial Zone</td>
<td>14994</td>
<td>9547</td>
<td>9880</td>
<td>5189</td>
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<td>6368</td>
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<td>Gangetic Zone</td>
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<td>4166</td>
<td>5452</td>
<td>3134</td>
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<td>3718</td>
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<td>North Bengal Zone</td>
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<td>1356</td>
<td>1914</td>
<td>1397</td>
<td>1314</td>
<td>1347</td>
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<tr>
<td>Total</td>
<td>27434</td>
<td>15069</td>
<td>17246</td>
<td>9720</td>
<td>8604</td>
<td>11433</td>
</tr>
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</table>

Source: Directorate of Cottage and Small Scale Industries.
of units in them. Consequently, the Kolkata zone provides the major employment in this sector in West Bengal, followed by Gangetic and North Bengal zones in that order. However, the policy of decentralization, reported to have been adopted by the State Government, appears to be influencing the establishment of more small-scale industrial units away from Kolkata. This was also reflected in the declined share (75% in 1970-71 to 53% in 2002-03) of Kolkata zone in the matter of volume of employment in this sector. During the same period, the Gangetic and North Bengal zones showed an improvement in their shares of intake capacities of workers from about 17% to 35% and from 8% to 13% respectively. It may be noted that these trends, both increasing and decreasing, were not at all uniform over the period, but showed ups and downs at specific years. The reasons are many and varied in terms of both absolute and proportional terms. Particular mention should be made of the significant progress made in the small-scale industrial sectors by the North Bengal and Gangetic zones from 1977 onwards. On environmental consideration also, this shift of location of the sector is most desirable. If the potentials of these latter zones are further explored, the misbalance in the spatial distribution of these units in the State can be corrected at least within the first decade of the 21st century.

To understand the relationship of number of Small Scale Industrial Units registered with the Directorate of Cottage and Small Scale Industrial with corresponding employment. In Table 5.4, the growth of small-scale industrial units in West Bengal has been assessed since 1971. As per statistical analysis apparently there was a 'linear growth' of small-scale units in West Bengal up to 1973-74. Steeper growth of small-scale units has been observed during 1974-76. The period indicates the impact of 16-point programme of Government of West Bengal. However, it is striking to observe
### Table- 5.3

**Distribution of Employment in Small Scale Industrial Units by Zone in West Bengal.**

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<tr>
<td>Kolkata</td>
<td>26469</td>
<td>85685</td>
<td>41716</td>
<td>56875</td>
<td>56404</td>
<td>131331</td>
<td>98085</td>
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<td>80.92</td>
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<td>57.58</td>
<td>58.17</td>
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<tr>
<td>Gangetic Zone</td>
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<td>14294</td>
<td>13250</td>
<td>30516</td>
<td>28205</td>
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<td>21.36</td>
<td>29.25</td>
<td>28.79</td>
<td>28.83</td>
<td>28.78</td>
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<tr>
<td>North Bengal Zone</td>
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<td>7054</td>
<td>16945</td>
<td>13353</td>
<td>29347</td>
<td>27124</td>
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<tr>
<td>Zone</td>
<td>8.17</td>
<td>5.58</td>
<td>11.37</td>
<td>16.24</td>
<td>13.63</td>
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<td>15.42</td>
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<td>Total</td>
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<td>105890</td>
<td>62020</td>
<td>104336</td>
<td>97962</td>
<td>225760</td>
<td>175805</td>
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</thead>
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<td>Kolkata</td>
<td>86540</td>
<td>49504</td>
<td>45453</td>
<td>37542</td>
<td>31704</td>
<td>36145</td>
<td>32224</td>
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<tr>
<td>Industrial</td>
<td>57.37</td>
<td>65.17</td>
<td>67.6</td>
<td>58.52</td>
<td>59.53</td>
<td>59.59</td>
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<tr>
<td>Gangetic Zone</td>
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<td>17559</td>
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<td>Zone</td>
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<td>22.55</td>
<td>27.37</td>
<td>26.85</td>
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<td>North Bengal Zone</td>
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<td>7645</td>
<td>6644</td>
<td>9052</td>
<td>7252</td>
<td>6860</td>
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</table>

*Source : Directorate of Cottage and Small Scale Industries.*
the contradiction that while there has widespread expansion of small-scale industry in West Bengal since 1973, there has not been matching increase in technical and managerial training, supply of raw materials, credit facilities, hire purchase machineries, consumer's goods, government purchase of small scale products etc. The next higher growth observed during 1978-88 with the exception of 1979, the year after the devastating flood of September 1978. In this period, the state experienced the accelerated economic activities. The main aim of Present State Government was to increase the employment opportunities with the expansion of small-scale industrial units. The aim appears to have nearly fulfilled in this period when the growth rate of the small-scale units was high. In 1984-85, it was declared that West Bengal secured the first position in India in the race of establishing small-scale units (1, 17,117).¹

Table 5.4 shows an encouraging trend about the activities of the State Industrial Development Corporation. More investment in small-scale units has been made from 1971-72 to 1974-75, resulting in the corresponding increase in employment. It thus appears that investment in industries may be one of the positive factors in the generation of employment.

In 1978-80, the performance of small-scale sector, as measured by the increase in number of units registered and total employment per unit has been encouraging. Problems of growth faced by the small units relate to the availability of finance, essential raw materials, and infrastructural and marketing facilities. In all these spheres, market forces are known to be imperfect and biased against the small producer, and the role of state policy therefore assumes a special importance.

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Source: Directorate of Cottage and Small Scale Industries.
In comparison with the organized large and medium scale sector, the trends are remarkably more encouraging in the cottage and small scale industries. The estimated number of small units registered, as shown in Table 5.4, increased by 21.9% from 8,978 in 1977-78 to 10,944 in 1978-79 and, more important, the total employment generated in these new units increased at a much faster rate, of about 88%, from 42,751 in 1977-78 to 80,143 in 1978-79, with the result that the average employment per unit recorded a significant increase. These improvements are causally connected with certain definite policy measures taken by the State Government with respect to this sector. The major problems confronting the small units relate to availability of finance, essential inputs, infrastructural and marketing facilities. Market forces in these spheres are known to be imperfect and working against the small units. The State Government have therefore undertaking specific programmes in all these spheres to protect and promote the interest of small producers. However, more remarkably impressive than the improvement in the organized large and medium industries has been the performance of the cottage and small-scale industries. The estimated number of small units registered, as shown in Table-5.4, has increased significantly from 10,944 in 1978-79 to 29,636 in 1989-90, with a corresponding increase in the estimated employment from 80,143 in 1978-79 to 1,67,087 in 1989-90. Even though the highest estimated employment generated about 225,760 in the year 1985-86. According to NSS, 51st Round, 1, 99,495, West Bengal had 19.08 lakh unorganized manufacturing units mainly in rural areas providing employment to 43.8 lakh persons. West Bengal was second after Uttar Pradesh in terms of both number of units and employment among the States in India.

During 1998-99, 13,156 units were registered in the State with a growth rate of about 5% over the previous year. Employments for about
76,000 people were created in these units bring the total gross employment in Small Scale Industries sector to 16 lakhs at the end of 1998-99. The growth rate of employment generation has been also to the tune of about 4.81% during 1998-90 in the sector. Up to December 1999, 7,351 units have been registered with creation of employment for about 47,000 people.

Since 1990-91 to 2003-04, number of registered SSI units declined from 28,846 to 10,114. During same year employment opportunities come down from 1, 63,132 to 61,326. One of the reasons for the decline may be gradual de-reservation of industrial items from the exclusive domain of the small-scale sector. The other constraint, presumably, be lack of credit.

Employment of Small Scale Industrial unit registered with the Directorate of Cottage and Small Scale Industry in West Bengal by District is concerned. It can analyze with the help of Table 5.5, which shows that total employment in the organized sector in the state rapidly increased up to initial stages of new industrial policy. It was in 1971-72, total employment 49,050, where about expanded to 1, 63,132 in 1990-91 was employed in the organized private sector and public sector.

The major share of employment in the small-scale industrial unit registered, particularly at Kolkata and its surrounding places like Howrah, 24 Parganas, Burdawan, Midnapur, Hoogly and Murshidabad. It is because of the development of strategy followed in the State, with its emphasis on land reforms, small-scale industries, and local resource based economic and development activities. The employment elasticity with respect to the SDP in the State was higher than in most States in India. Thus, direct employment generated through productive activities in different sectors of the State's economy each year was quite significant. In 1974-75, for instance, 2, 30,760

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man-day of employment were generated through the production of major crops in the State. During the period of twenty years i.e., 1971-72 to 1990-91, this growth in State income was the result of rising production/ income in sectors like agriculture, fishery, forest, industry, trade and others services. On the basis of this sector wise increase in output/ income and actual employment elasticity of each sector, the additional employment generated in each sector has been estimated.

Apart from the increase in employment from rising production in different sectors, significant employment is also generated from the self-employment programmes implemented in the State each year. These self-employment programmes include Integrated Rural Development Programme (IRDP), Special Component Plan/ Tribal Sub- Plan (SCP/TSP), Self-Employment Scheme for Registered Unemployed (SESRU), Small Scale Entrepreneurs Programme (SSEP), Scheme for Urban Micro Enterprise (SUME), Prime Minister's Rojgar Yojana (PMRY), Special Employment Programme for Urban and Semi Urban Areas of West Bengal (SEPUSU) and Self Employment Schemes for Minorities, etc.

Now, introducing of liberalization policy since 1990’s, the pace of employment opportunities slow down in small-scale industries, due to various reasons. Table 5.5 shows that employment opportunities in small-scale industries were continuously declining from 1, 63,132 in 1990-91 to 61,326 in 2002-03, which really hamper in economic growth of the State. In 1997-98, for instance, 1480.70 million man-day of employment were generated through the production of major crops in the State. Overall, in 1998-99, considering the increasing productivities in all sectors of the State’s economy, the SDP has expected to registered a growth rate of 6.7% at 1993-94 prices.
Banks have been less than encouraging in providing credit to schemes sponsored to them under these programmes. The State Government has been inter-acting with the banking authorities at various levels in order to ensure greater and easier availability of credit for these programmes. The State Government in order to improve the co-ordination between different agencies involved in the implementation of self-employment schemes has set up a Cabinet Sub-Committee under the Chairmanship of the Finance Minister.

Against the background of rising industrial investment in the State, the State Government has taken a policy decision of considerably strengthening and expanding the technical education system. This would allow new entrants to the labour force to be equipped with technical skills and also improve and enlarge the scope of the self-employment, especially for those who fail to obtain access to higher levels of technical education. In 1995, a new engineering college, Kalyani Engineering College, was established by the State Government. In 1996, Haldia Institute of Technology was started with the State Government's assistance. Another engineering college at Salt Lake under Kalyani University has commenced its academic session from 1997-98.

The State Government has also taken up a scheme for providing short term vocational training to individuals belonging to different target groups in order to improve the scope of employment of these individuals.

Employment in organized sector in the state is around 8% of the total employment. In terms of numbers, therefore, the organized sector is not a large provider of employment. Employment is the organized sector in the state has been declining. Although in the last two years there has been an increase in employment, but this has been inadequate to compensate for the decline in earlier years. In 2001-02 employment in the organized sector in the
State was 60,653. Therefore, in 2002-03 employment increase marginally to 61,326.

Deceleration in the growth of employment in India has argued to have commenced from the latter half of the nineties, with employment in the manufacturing sector registering a decline from 1,02,332 in 1995-96 to 61,326 in 2002-03 years. In organized public sector while direct employment under Central and State Government declined. The major decline in employment over these years was in the Quasi Government Sector while decline in employment in Central Government. The reasons for declining employment in the public organized sector are many. First, and for most, is the ideological belief of the Central Government that the public sector needs to be downsized. In addition, the fiscal crunch faced by the Central Government resulted in sharp fall in the funds allotted for the public sector units. And finally the industrial slowdown in the latter half of the nineties affected manufacturing PSUs. Around 29% of the decline in employment in the Central PSUs in the period under considerations was in units in the manufacturing sector. On the other hand, decline in employment in State undertakings was largely due to the inability of the State Government to provide funds specially to the ailing units because of its own financial stringency. The fall in employment in state undertaking was mainly in state transport undertaking and WBSEB, both hugely loss-making units. The decline in employment in these and other State Government undertakings has been mainly through natural attrition of the workforce.

The point should be noted that manufacturing employment had declined sharply in the later half of the nineties at all India level. While this could explain to an extent the fall in employment, a more cogent reason was that in the liberalized era, corporate bodies in India were faced with intense
competition from internal competitors and from imports. This has forced firms to cut costs, specially labour cost, in order to remain competitive. Firms have reduced their workforce through various means like VRS, etc. Moreover, there has been increasing casualisation of the industrial workforce. New firms have also opted for capital intensive technologies in order to minimize labour cost. The result has been sharp fall in wage as a percentage of gross value added in the manufacturing sector at the all India level especially from the late nineties.

In recent years, as Table 5.5 indicates, employment in newly registered factories has increased. This has not however led to the increase in industrial employment in the State. Competitive pressures in the liberalised era have forced many of the old labour intensive units to close down or to downsize their workforce considerably. Against this, the units coming up are capital intensive with much lower employment potential. Moreover, much of employment in new units is casual in nature. So, quantitatively and qualitatively liberalization had adverse impact on industrial employment in the country and in particular in West Bengal.

For the growth and development of any State, strong financial assets need at most. In 1971-72, West Bengal Government tried to develop the small-scale industries in each district of West Bengal and special care was taken for North Bengal. In their 16 point working programme West Bengal Government tried to developed the working condition of the small-scale sector along with the production. State and Central Government jointly opened showrooms to make the products of the small-scale industries popular. Besides this, State Finance Corporation, State Bank, United Bank etc. extended their hands to help the small-scale industries financially. Even Cooperative Banks have decided to give loans to the small-scale industries.
Table 5.5

Employment of Small Scale Industrial Units Registered with the Directorate of Cottage and Small Scale Industry by District in West Bengal

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</tr>
<tr>
<td>Murshidabad</td>
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<td>6275</td>
<td>6149</td>
<td>3238</td>
<td>2763</td>
<td>1450</td>
<td>6499</td>
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<td>4154</td>
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<td>Uttar Dinajpur</td>
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<td>3962</td>
<td>5649</td>
<td>2398</td>
<td>1949</td>
<td>952</td>
<td>2623</td>
<td>1461</td>
<td>876</td>
<td>1164</td>
<td>915</td>
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<tr>
<td>Dakshin Dinajpur</td>
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<td>339</td>
<td>873</td>
<td>168</td>
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<tr>
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<td>4214</td>
<td>5056</td>
<td>3868</td>
<td>1868</td>
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<td>Jalpaiguri</td>
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<td>8092</td>
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<td>3188</td>
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<td>3378</td>
<td>4352</td>
<td>2828</td>
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<td>2073</td>
<td>2005</td>
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<td>Darjeeling</td>
<td>6775</td>
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<td>Cooch Behar</td>
<td>2202</td>
<td>2003</td>
<td>1961</td>
<td>756</td>
<td>423</td>
<td>245</td>
<td>628</td>
<td>1363</td>
<td>1448</td>
<td>902</td>
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<td>1802</td>
<td>1520</td>
<td>5223</td>
<td>2221</td>
<td>1296</td>
<td>1094</td>
<td>2372</td>
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Source: Directorate of Cottage and Small Scale Industries, West Bengal.
West Bengal Financial Corporation is sanctioning long term loan to improve capital equipment's. This corporation is also helping the small scale industries by the service of the technical experts and plus to encourage the Financing Technician Entrepreneurs. But these small-scale units should come under the 'Credit Guarantee Scheme'. A scheme has been introduced to procure the machinery's for the small-scale industries by hire purchase method. More care has taken to develop the infrastructure for planning the production of small and big units of the same type of industries. New Industrial Policy of 1973 encouraged the joint venture in this sector.

The trend in the amount of loan sanctioned by the West Bengal Financial Corporation can be seen from Table 5.6. The major features of this trend have been the considerable increase in the absolute amount advanced and in the number of recipient units. Compared to 1974, the loan sanctioned is near about hundred times of the small-scale units in 1998. Initially, the average amount sanctioned showed upward trend upto 1985, i.e. 4932.2 lakh, but later this amount of loan could not keep pace with the rise in the number of units brought under the corporation's scheme. Only 226 number of units received loan with the capital amount of Rs.364.08 lakh in 1974, while the number of units increased for receiving lone upto 19538 with the amount of loan of Rs. 42082. In so far as the financial assistance of the West Bengal Financial Corporation to small units is concerned, there have been in some increases in these periods and the share of small units both with respect to the number of units covered and the amount of loan disbursed. The possibilities of improvement however persist here.

The major programmes through which the State Government provides financial assistance to the small-scale industries are: (a) loans under the Bengal State Aid to Industries Act granted up to a limit of Rs. 5000 at a rebate
Table- 5.6  
Distribution of Loans Sanctioned to Small Scale Units by the West Bengal Finance Corporation.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units receiving loan</th>
<th>Amount of loan (Rs in Lakh)</th>
</tr>
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<tbody>
<tr>
<td>1974</td>
<td>226</td>
<td>364.08</td>
</tr>
<tr>
<td>1975</td>
<td>261</td>
<td>426.26</td>
</tr>
<tr>
<td>1976</td>
<td>361</td>
<td>528.02</td>
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<tr>
<td>1977</td>
<td>408</td>
<td>752.48</td>
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<tr>
<td>1978</td>
<td>513</td>
<td>1010.6</td>
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<tr>
<td>1979</td>
<td>585</td>
<td>1202.2</td>
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<tr>
<td>1980</td>
<td>695</td>
<td>1465.3</td>
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<td>1981</td>
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<td>1766.3</td>
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<td>1982</td>
<td>1098</td>
<td>2120.6</td>
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<tr>
<td>1983</td>
<td>1471</td>
<td>2768.1</td>
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<tr>
<td>1993</td>
<td>17021</td>
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<td>1994</td>
<td>17369</td>
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<td>1995</td>
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<td>18149</td>
<td>34119</td>
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<td>1997</td>
<td>18639</td>
<td>37705</td>
</tr>
<tr>
<td>1998</td>
<td>19538</td>
<td>42082</td>
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</table>

Source: Annual Report of West Bengal Financial Corporation.
rate of interest, (b) subsidies under the State Incentive Schemes for providing fiscal assistance for fixed capital investment, interest on working capital loan, consumption of power, return on sales tax, etc., extended to all districts and (c) margin money scheme to provide seed money, usually at the rate of 10% of the total project cost subject to a stipulated requirement of employment generation. In so far as financial assistance of the West Bengal Financial Corporation to small units is concerned, there has been in these period some increase in the share of small units both with respect to the number of units covered and the amount of loan disbursed. The possibilities of improvement however persist here, particularly with respect to the percentage of the total loan disbursed to the small units.

Table 5.6 shows an encouraging trend about the activities of the State Industrial Development Corporation. More investment in small-scale units has been made 1997-98, resulting in a corresponding increase in employment. It thus appears that investment in industries may be one of the positive factors in the generation of employment. While the rising income and production in the rural and urban areas of the State have generated considerable demand impetus for the growth of the small-scale sector. The State Government on its part has fashioned a multifaceted promotional package in order to facilitate investment in this sector. The State Government has designed a new incentive scheme for SSI sector in 1993. It also provides soft credit to SSI units. The State Government has also trying at different levels to persuade banks to be more forthcoming and the provision of credit to SSI units.

The West Bengal Financial Corporation (WBFC) is the prime state level agency for providing financial assistance to the small-scale industry sector. The different types of financial assistance provided by WBFC to small-scale industries include soft loans, equity participation, equipment
refinance, composite loans, special scheme of assistance for women entrepreneurs, single window facilities, etc. WBFC has identified a few thrust areas and is expected to concentrate its resources in these areas. These thrust areas are (a) industries based on locally available materials (b) export oriented units. Given these areas of priority, WBFC has concentrated on agro industries like silk reeling industry in Malda and Murshidabad, fertilizers production units, ware houses and cold storage’s, tea manufacturing units, food processing units. WBFC has also tried within the broad parameters of its thrust areas, to promote electronics and chemical industries. This involves updating the prospective entrepreneur on the various schemes and assistance available from WBFC for promoting industries.

**Problems:**

The loans from the nationalized banks in maintaining the health and sustaining the functions of the small-scale units play a major role. Though the deposits in West Bengal are the second highest, its share of loans is the minimum. (RBI, Banking Statistics, Quarterly Handout, September 1987). The small-scale industrial units of West Bengal are thus unable to procure required amount of loans from the banks. Moreover, it takes a long time to get sanction of the loans. These factors seem to be responsible rendering small-scale units sick from the very beginning.

The issue of supply of raw materials and their prices are yet another important aspect related to the development of small-scale sector. Due to high price rise, most of the small-scale units have been suffering. It is not possible for these units to increase their working capital as and when price of raw materials increases. Moreover, the supply of raw materials is not very regular, though the same is controlled by the Central Government. Among the various burning problems of West Bengal, the problems of small-
scale industries are very peculiar. Assurance and inadequate co-operation of the Central Government did not help much to develop the condition of this sector. It is not surprising that the number of registered small-scale units and the number of employees did not increase during the period of 1989 to 2003. Moreover, the number of sick units is much more than in other states. Also, the number of employed persons is highest in the state. In 1982 there were 30 lakh unemployed persons as per the record of the employment exchange. License issuing policy of the Central Government and its policy of imposing interest on the loans do not appear to be uniform. In 1982 Maharashtra got the license of 95 industries where as West Bengal got only 27. Number of chemical and chemical based industries of Eastern Zone is less than one-eight of the Western Zone. While West Bengal produces 18.8% tools and machineries of India, Gujarat and Maharashtra produce 26.2% and 29.4% respectively.

It is a plain fact that Chennai, Bangalore and Ahmedabad have got ample scope to import modern machineries but a negligible fraction of such a facility is given to Kolkata. The main capital supplying organizations (LIC, Industrial Credit Corporation of India etc) supplied capitals apparently in a discriminatory manner. The States of Western and Southern Zones are much benefited by the policy of the Central Government. In this respect the development of East and North Eastern State, including West Bengal, has quite negligible. In 1978-79 West Bengal received much less bank loan (1,600 crore of rupees) than Maharashtra (3500 crore of rupees). Total sanctioned loan for this state is always much less than what is requires. In the race of industrial development, West Bengal has lagging behind due to the policy of National Financial Organizations. Kolkata port does not get
facilities, which Mumbai ports, enjoys in respect of export. All these factors have mainly responsible to make the industrial units sick in this state. 

Obviously the Central and State Government have their own explanations to offer. The main problem faced by the government is entrepreneur's reluctance to set up units in districts. All of them want to have land near Kolkata. That is why there is a tremendous pressure on land at growth centre at Kasba, Behala and Garden Reach areas.

The Supreme Court order on closing down foundry units and re-rolling units in the state is another blow to the SSI sector. Stringent pollution control norms forbid many industries to come up around cities. The state has, therefore, turned to sericulture, handloom and KVIC units. The adverse impact of globalization is also faced by cottage and small-scale industries or handloom and textiles, or sericulture sector. As per available information, quantitative restrictions on 714 items are being removed by April, 2000 by the Government of India and the remaining items will be freed by April, 2001. Import of Chinese silk yarn at lesser price than that of the State, but with better quality of product is most likely to hit hard the Sericulture Industry is not only this State, but the other major silk producing State of India also. Cottage and Small Scale Industries including consumer goods industries of this state will be facing fierce, unequal competition from multi national companies consequent upon removal of different protective measure extended at present. In order to tackle the problem, to some extent, it is necessary to improve quality, upgrade technology, enhance productivity, modernize design, diversify products and emphasize exclusiveness where possible, for

Which, fund is a must.

In sum, the strategy of encouraging the small scale sector should be a multi pronged one, aim at alleviating the diverse constraints in the supply of key inputs faced by such units – infrastructure, credit, technical and marketing support. There is no need to repeat the mistake of traditional policies for encouraging the small-scale sector, which mere built around reservation of selected sectors and products for such units. It is very hard for a government to know and predict the kind of technology and firm scales that are the most efficient for any given sector. Moreover, reservation insulates selected units from the competition that is essential to foster the required cost consciousness and the incentive to adapt to changes in the market place and adopt new technology. Instead the emphasis should be on maximizing entry and competition in every industry.

The broad industrial strategy here is based around three critical priorities: infrastructure, education and support for small-scale units specializing in light manufacturing goods. The aim should instead to be creating a facilitating environment for a broad based and diversified industrial sector. To make this feasible will require a substantial shift in how the government itself functions. It is by no means obvious how to make this happen, how to build a governance structure that is both more responsive and more able to stand back and allow things to happen.

5.1. Production of Handloom and Cooperative Society in West Bengal:

Handicraft is an integral part of India’s rich culture. It has glorious past both as a means of livelihoods for many artisans and for its artistic excellence. Crafts and its glorious past hence could not be ignored. The Government of India during its first plan period itself set up an “All India
Handicraft Board” in 1952 to promote and developed handicrafts. Subsequently, Development Commission (Handicraft) assumes responsibility as an apex body and has been executing various promotional and development programmes. Some of the important scheme being executed by the DC(Handicrafts) of late a new cluster based programme known as “Baba Saheb Ambedkar Hartsilp Vikas Yojana (AHVY), has been launched to bring sustainable development through participation of craft persons leading to their employment.

The promotion of handicraft industries is the responsibility of the State Government. In the State of West Bengal, Directorate of Cottage and Small Scale Industries look after the growth and development of handicrafts as nodal office. West Bengal Handicraft Development Corporation Ltd., and West Bengal Handicraft Corporation Society Ltd., is other two important government agencies involved for the promotion of handicraft sector. Beside, a few NGOs and private agencies are also actively involved for the promotion of this sector. The outcome has been quite impressive. Over the last few decades, handicraft sector has emerged as a vital part of our economy, both in terms of employment and export earning. At present more than 48 lakh artisan are working in the sector. Important point is that majority of them being to the weaver section of the society. It is useful to consider the performance of the handloom industry as an example of one of the most important cottage industries in the State. The State production of the handloom cloth, as indicated in Table 5.7, has shown a significant improvement in 1980-81 and also a raising trend in recent years. This trend has closely associated a similarly rising trend in the co-operative fold of the industry. The approach of the State Government towards the handloom sector has been one of placing a productive emphasis on the co-operative fold of all sectors. In order to make
this cooperative fold more productive, it has been found essential to recognize
its structure, by weeding out the non-viable societies, usually dominated by
the vested interest of non-weavers and the strengthening the potentially viable
societies and also promoting new societies of genuinely small weavers. It is
important to note from Table 5.7, that there has been a significantly larger
production from the co-operative fold in 1980-81, compared from 1975-76 to
1979-80. This has been made possible by liquidating the non-viable societies
and at the same time, strengthening the potentially the viable ones.

There was a significant deficit in the requirement of yarn in the
handloom industry in relation to its production by the local spinning mills.
Due to imperfect yarn market, poorer weavers have no choice accept the
supply condition of middlemen or brokers. Attempts have therefore been
made to increase the distribution of yarn to the co-operative societies through
the Government agencies, namely, West Bengal State Handloom Weaver's
Co-operative (also called the Handloom Apex Society) and the West Bengal
Handloom and Power loom Development Corporation (HPDC). In addition, a
significant improvement has also been achieved in the provision of financial
assistance to the co-operative societies. To make the organizational structure
of the industry even stronger, the State Government has adopted a programme
of setting up of 150 new co-operative societies, with membership of only
small weavers (with looms not exceeding two per family), control by the
Panchayat Samities and the Zila Parishads, and financial assistance from
banks and the State Government.

The handloom industry is the most prominent cottage industry in rural
West Bengal. According to the State Handloom Census of 1982-83, there
were 2.56 lakhs of looms in the State. The number of looms have increased to
2.67 lakhs providing employment to 6.67 lakhs of artisans approximately of
Table - 5.7

Progress of Handloom Industry in West Bengal

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<tbody>
<tr>
<td>Production of Handloom Cloth</td>
<td>Million meters</td>
<td>205.5</td>
<td>285</td>
<td>399</td>
<td>401</td>
<td>439.02</td>
<td>679</td>
<td>650</td>
<td>1204</td>
<td>1199.75</td>
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<tr>
<td>Handloom co-operative Societies</td>
<td>Number</td>
<td>1180</td>
<td>1300</td>
<td>1570</td>
<td>1922</td>
<td>2171</td>
<td>2203</td>
<td>2203</td>
<td>2203</td>
<td>2209</td>
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<tr>
<td>Sales turnover--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>
| (a) West Bengal Handl Weavers co-operative 
  society Ltd.                      | Rs. In Crores                  | 45      | 70      | 60.83   | 50.65   | 48.89   | 52.25   | 59.05   |         |         |
| (a) West Bengal Handloom and Powerloom 
  Development Corporation Ltd.        |                               | 17      | 49.77   | 43.9    | 48.35   | 33.46   | 38.25   | 36.76   |         |         |

Sources: Directorate of Handloom and Textile, Govt. of West Bengal
which the organized (mainly co-operatives) cover 2.76 lakhs. The State Government was making serious efforts to bring the scattered artisans under co-operatives to ensure viability of producing units. The different facets of handloom industries have been incorporated in Table 5.7. The production in handloom industry has measured from 285 million meters in 1980-81 to 399 million meters in 1988-89. In fact number of co-operatives have gone up to 1,570 in 1988-89 from 1,300 in 1980-81 and has expected to reach 1,922 in 1995-96. The Handloom and Power loom Development Corporation has encouraged individual artisans to form themselves into co-operatives that viable units may emerge in due course.

The sales turnover of Apex Society and Handloom and Power loom Development Corporation have increased marginally from Rs. 41 crore and Rs. 12.5 crore in 1986-87 to Rs. 41.50 crore and Rs. 13.91 crore in 1987-88 respectively. The targets for 1988-89 was much higher, Rs. 45 crore for the society and Rs. 17 crore for the corporation. For ensuring qualitative and quantitative improvement in production, modernization of looms was an effective step. Till 1987-88, nearly 19,600 looms have been modernized and another 8,770 looms were expected to be covered in 1988-89. In the financial side, total cash credit limit sanctioned for Weaver’s Co-operatives under NABARD Scheme has gone up to Rs. 26.11 crore in 1987-88 from Rs. 20 crore in 1986-97.

Shortage of yarn is a major hurdle for handloom industry. Steps have been taken to augment the supply. The West Bengal Co-operative Spinning Mills Ltd., Serampur has installed 24,328 spindles against the licensed capacity of 25,000 spindles. The West Bengal Handloom and Power loom Corporation and West Bengal State Handloom Weavers Co-operative Society

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LTD. procure yarn from the mill and distribute the stock to the primary weavers societies against their supply of finished products.

The basic policy of the State Government in the handloom sector has been to increasingly bring the poor handloom weavers into co-operative fold and next to assist there co-operative with provision of finance, in marketing their products and technical upgradation of the production process. The number of handloom co-operative societies has continuously increased from 1,922 in 1995-96 to 2,209 in 2003-04. The production of handloom cloth increased from 401 million meters in 1995-96 to 1199.75 million meters in 2003-04. Production of handloom cloth declined in 2001-02 as compare to previous year as shown in Table 5.7. A major problem in the handloom industry is the inadequate availability of yarn. To overcome this problem, the State Government supplies through the West Bengal Handloom and Power loom Development Corporation (WBHPDC) and West Bengal Handloom Weavers Co-operative Society (Apex Society) hank yarn to the poor handloom weavers and to the handloom co-operatives.

Unfortunately due to a crisis in the all India Cotton and Textile Sector, the demand for yarn outside West Bengal has fallen sharply and yarn has stockpiled. Loom has not in a position to operate to their maximum capacity, partly due to lack of demand for handloom goods and partly due to lack of technical education and finance. West Bengal produces both coarse and fine fabrics. The handloom weaving industry, the most important cottage industry in West Bengal is very much handicapped for want of finance. There are about more than thousand co-operative weaving societies, but adequate co-operative finance is not available in the weaving areas. The weavers still depend on the Mahajans or middlemen for finance. The middlemen dictate
terms of disposal of the finished products to the weavers. The weavers sell them to the Mahajans at a low profit margin.

The fragmentation of the industry and lack of access to markets, information, technology and capital, have all hampered this sector's growth and export potential. The State Government has, however, embarked on a programme to form co-operatives of handloom weavers to assist them with inputs, upgradation and modernization of manufacturing capabilities, marketing, information about changing consumer preferences, etc.

It is, however, not to be convinced that growth and development of handicraft industry has been up to expectation. The potential and scope of this sector is yet to be exploited fully. Then there is the need for modernization and innovation for sustainable development. The changing test and preferences and inclination of the customers must be taken care of through innovative design and matching products. There lies improvement in research and development in the areas of technology, manufacturing process, designing, product development and use of embellishment and composite items for value addition.

An action plan for West Bengal to emerge as an important player in the handloom sector as such as:

- Apparel Park: In keeping with Bengal's initiative of sector specific industrial complexes in gems, leather and IT etc., an apparel park should be quickly initiated in the suburbs of Kolkata. Progress has already been made towards this, by WBIDC—including Site identification/preliminary development of site.

- An apparel industry in West Bengal should focus on the value added segments. Such as women dresses and coats, as well as men and women accessories.
• West Bengal should leverage the Union ministry of Textile to open a couple of national level, high quality IIM/NIFT style training establishments in specialist apparel discipline.

• Increased production of cotton and silk in the state should be encouraged so as to reduce the cost of raw materials. Moreover, development of high-speed rail and road networks between growing and manufacturing areas will help reduce production time and costs. As garments are time-sensitive products, the development of port and road infrastructure, that minimizes transportation time and costs are critical.

• West Bengal has a vast untapped potential in increasing its share in handicraft exports. The State should have a permanent sale/display of handicrafts at its pavilion in New Delhi’s Pragati Maidan; coupled with handicraft fairs in different countries.

Therefore State Government is very much concerned how to make progress in the field of handloom. Because it’s bringing more revenue as well as improve the employment opportunity.

5.2. Development of Sericulture in the State:

It is the second most important cottage industry in West Bengal after the handloom industry. The main problem of silk industry in West Bengal is the high cost production. It is due to inferior grades of silkworms. Artificial silk and rayon has become great rival to the silk in the State. The Central Sericulture Research Station at Berhampur, Murshidabad and the sericulture nurseries at different centers are carrying on researches for improving the quality of silk cocoons of superior silk content. A seed-multiplication station for rearing of foreign races has been setup at Kalimpong and a spun silk mill has been setup at Malda for utilization of silk waste. The main centers of the silk industry are Malda, Barhampur and Bankura. Efforts are being directed to
develop the sericulture industry in North Bengal for production of Gi-yarn. It is necessary to recognize the existing nurseries.

The silk industry in the State faces many problems which include high cost of production, difficulties of finance and marketing competition with artificial silk and rayon, inadequate supply of tested seed and want of improved reeling machines among others. Considering the importance of this industry in the economy of the state effort should be directed for the immediate rehabilitation.

In the field of sericulture, an attempt has also been initiated to change in the sericulture of production in favour of small producers and with the assertion of social control. These attempts include programmes of assistance to marginal cultivators in several areas—from a free supply of cuttings, through the provision of loans, to an access to improved rearing facilities at the collective rearing centre. Steps have also been carefully taken to implement these programmes with a social control in order basically to neutralize, as far as possible, the unproductive activities of middlemen.

In sericulture the State Government had adopted a broad-based policy and taken up a vigorous action programme. The Sericulture Directorate has implemented as many as 14 projects in 1987-88. These include programme of extensive of sericulture in both traditional and non-traditional districts, in production of high yielding varieties of mulberry and silk worms, disease free lying in state forms, modernization of existing sericulture units etc. Financial assistance has been provided to new sericulturists for raising mulberry fields and constructing rearing house. In 1987-88, new sericulturists received Rs. 638 lakh of institutional finance. Further, The Directorate was trying to motivate these people to take to sericulture and tasar culture as principal means of their livelihood.
As a result of these efforts, sericulture industry was making steady progress in the State. Total acreage was increasing and so also employment. Production of raw silk that was slightly lower in 1987-88 (7.60 lakh kg. against 7.92 lakh kg. in 1986-87) is to go up to 10.17 lakh kg. in 1988-89. Apart from the mulberry acreages, 428 acres has been brought under Tasar cultivation in 1987-88.\(^1\)

The shortfall in production was in fact due to extensive damaged in the mulberry field in Malda, Murshidabad, Nadia, Birbhum, Coachbehhar and West Dinajpur districts caused by devastating flood of August-September 1987.

The State Government makes the consistent efforts in sericulture to spread to most districts in the States, which was traditionally confined to a few districts in the past. The basic strategy of the State Government has been to increase the acreage under mulberry by encouraging poor farmers to take up sericulture. The State Government provides the poor farmers land, irrigation facilities, improved variety of cuttings, disease free laying and arranges for institutional finance through the provision of subsidy. The poor farmers have also given training in improved sericulture practice. The State Government has also tried to improve and develop proper infrastructure for sericulture by constructing cocoon markets, training centres, etc.

The National Sericulture Project (NSP) makes significant improvement in the infrastructure for the sericulture sector. The NSP resulted in increasing the production of mulberry from 8.29 lakh kg in 1990-91 to 12.54 lakh kg. in 1997-98. While production of Tasar silk also increased to 0.02 lakh kg. during these years, but production of Eri Silk did not follow the same pace and its production was declined, as shown at Table 5.8.

\(^1\) Economic Review (1989-90): Op Cit. p 48
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of Mulberry Silk (in lakh kgs)</td>
<td>8.29</td>
<td>11.37</td>
<td>10.92</td>
<td>11.58</td>
<td>12.54</td>
<td>12</td>
<td>10.5</td>
<td>14.07</td>
<td>14.5</td>
<td>14.53</td>
</tr>
<tr>
<td>Production of Tasar Silk (in lakh kgs)</td>
<td>0.16</td>
<td>0.15</td>
<td>0.15</td>
<td>0.18</td>
<td>0.18</td>
<td>0.2</td>
<td>0.15</td>
<td>0.23</td>
<td>0.27</td>
<td>0.27</td>
</tr>
<tr>
<td>Production of Eri Silk (in lakh kgs)</td>
<td>0.11</td>
<td>0.05</td>
<td>0.04</td>
<td>0.03</td>
<td>0.04</td>
<td>0.07</td>
<td>0.06</td>
<td>0.02</td>
<td>0.02</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Source: Directorate of Sericulture, West Bengal
Therefore, the State Government has taken up a programme for proper maintenance of the infrastructure created under NSP. It has also taken up schemes for the production of cocoon with high productivity through better maintenance of grainages, assistance to licensed seed producers, strengthening of basic seed farms, etc. In order to improve the quality of raw silk and fabric, the State Government plans to set up more cottage basins and improved twin charkhas to replace traditional katghais. The State Government has also taken up a scheme to develop non-mulberry sericulture like tasar, muga and eri. Another externally aided scheme SERI-2000 has been introduced from 1998-99 to develop further the sericulture sector in the State. Table 5.8, proved a tremendous progress of sericulture industry in West Bengal during 2000-01 to 2004-05, that is, production of mulberry silk and tasar silk were 10.5 lakh kg. and 0.15 lakh kg. in 2000-01, where increased to 14.8 lakh kg and 0.27 lakh kg in 2004-05 respectively, though production of eri silk unable to follow the same pace.

The State Government took the main progress of sericulture sector due to prompt actions. In sericulture sector, the State Government aims at improving the production, productivity and product quality in the pre cocoon as well as post cocoon stages by transferring the new technologies developed by the Central Silk Board to the sericulturists in the State. The Directorate of sericulture has undertaken a number of programmes for overall development of sericulture activities of the state. The major objectives are as follows.

- To replace local variety of mulberry with HYP a mulberry ensuring that loss to farmers in this process is compensated.
- To supply rearing inputs/appliances to the beneficiaries at free of cost or at subsidized rates under special schemes and to supply planting materials at subsidized rates.
- Maintenance and multiplication of basic silk worm seeds.
- To promote post cocoon sector through development of reeling/twisting technology for silk yarn.
- To encourage cultivation of eri and muga in the district of Jalpaiguri and Coochbehar respectively by providing necessary infrastructural assistance to the tribal engaged in these activities.
- To impart improved technological training to the officials, farmers, researchers, reelers and private seed producers. In addition, the State Government also aims to provide financial support and necessary marketing support to the producers. Apart from these normal routine activities, the Directorate has implemented certain new schemes, like (a) Catalytic Development Programme. A cluster of scheme was launched in the year 1998-99 and the expenditure on the same is being co-shared by the State Government and Central Silk Board. Major emphasis has given on areas like construction of rearing houses for mulberry and eri farmers, supply of equipments to muga producers, augmentation of area under eri culture etc. (b) Seri 2000: This programme was launched in 1998-99, but it was stopped in the midway in July, 2003. However, this programme made some of the major achievements. (c) Extra Departmental Schemes: The Directorate received funds from different sources under various programmes. District authorities of Jalpaiguri and Purulia receaved a fund of Rs. 208.00 lakh directly from Government of India under Rashtriya Sam Vikash Yojana(RSVY) for development of tasar and eri culture in Jalpaiguri and Purulia districts respectively for last four years. A total number of 2600 sericulturists were expected to be benefited by this programme.
Chapter 6
Problems of Industry in West Bengal
Chapter - 6

Problems of industry in West Bengal

Still ranks second in the level of industrialization among the States of Indian Union, West Bengal has been steadily losing ground as the most favoured location of the industry for the last few decades.

Within the framework of an increasingly by narrow market, West Bengal losing further to the aggressive advance of the Bangladesh industry for a number of reasons, firstly, Bangladesh enjoys a national superiority in both the quality and quantity of the fiber. Secondly, Bangladesh which built up her industry from scratch, installed most up-to-date and hence much more efficient machinery which West Bengal is yet to match through the programme of modernization. Finally, Bangladesh has adopted a package of export promotion measures like the enhancement of the export bonus voucher subsidy on jute goods.

Another main problem of West Bengal paper industry is the raw materials. Through modern paper making industry was founded for the first time in West Bengal after the partition. This truncated State has been bereft of any suitable raw material for paper making. Most of the States Governments have started charging exorbitant rate of royalty from other States as compared to those charged from paper mills in their own States. This discrimination rate of royalty coupled with rising transport and haulage charges have raised the cost of bamboo considerably for the mills in West Bengal.

The problems of cotton textile mills also in West Bengal are more serious. Very old and almost in a wrecked condition and their managements are not in a position to invest the latest type of the machinery. Except for the
small number of mills all the rest are operating with worn out machinery. The extreme paucity of resources of the cotton textile industry in West Bengal is adversely affected their working in other respect also.

Only some thirty years ago, West Bengal had a leading place in the field of small manufacturing industries in the country. Howrah known as the ‘Sheffield of India’ was recognized as the largest centre of small engineering units and the symbol of industrial craftsmanship acquired by Indian labour. Gone are those days. West Bengal is not only lagging behind, but fast moving towards disaster.

The development of small-scale industries is inseparably connected with the general industrial growth. The reason is obvious and could easily be traced in the particular input-output relationship that obtains between the large and the small industrial sectors. It is observed almost universally that in a general inter-industry framework the small-scale sector plays only the follower’s role. The leader is obviously the large scale sector. The development of small-scale industries is therefore a function of the growth of large industries.

The development of small-industries that followed from this primary industrialization was rather slow. It was not for the simple reasons that the then small industrial units had the ability to produce large industry sophisticated input nor had necessary capital investments for producing them. The large sector used to import most of their input from abroad.

The growth pattern of small-scale sector in West Bengal has been sporadic, entirely on its own initiatives without any planned guidance or aid from the State Government. The small industrial units are, by and large, heavily concentrated in the Kolkata Metropolitan District. This heavy
concentration around Kolkata industrial area has given to a regional imbalance which affects the economic health of West Bengal.

The small-scale industry also facing marketing problem vis-à-vis the general stagnation of the economy is under standard. It started with the decline in railway orders which through its effect on the large sector had to recessionary impact on small industries. But there are other reasons too. The instances are not rare where large scale industries and public sector projects in Durgapur area and elsewhere are not purchasing their required inputs from local small industries, but are placing order in other states. The attitude of the State Government has also come in for a measure of criticism in this regard. It has been alleged that in spite of their availability within West Bengal, a good number of stores items required by the State Government and its undertakings are purchased from outside.

Yet another problem that the small-scale industries sector has been facing for quite a long time comes in the form of increased cost of raw materials, stores, wages and incidentals. These units cannot neutralize this increase in cost by enhancing the price of their products for the simple reason that they have to face a sellers’ competition in a strictly buyers’ market. Finally, another problem that adds to their hardship arises out of delayed payment of bills.

It has also been revealed that the de facto owners of those units were reluctant to replace worn out machines even if they were given cheap loans for this purpose. They have rather built up a machine with scrap materials instead of purchase a new machine. This typical resistance to new machine is a characteristic feature in the behaviour pattern of the State’s small industrialist. Rural electrification in West Bengal, in comparison with Tamil Nadu and Punjab, is still in its infant stage. Rural areas in most of the districts
are not provided with facilities of electrical power. Those that have, on the other hand, are often found unable to use it for the high electricity tariff.

Absence of quality control is another impediment to production. This often results in the rejection of the products supplied by them to the big producers particularly those who are quality conscious. It is one of the reasons why some large units place orders on small industries outside West Bengal.

Lack of standardization is yet another problem faced by West Bengal’s small industrial sector. Products manufactured in accordance with the same specification often lack homogeneity. It not only creates marketing difficulties for the small sector, but affect large sector in producing standardized products.

Another set of problem of small-scale industries faces can be termed as internal management problem. The owner-manager of small firm is some times a technician or businessmen or financers having no knowledge of business and industry. It is hardly possible for him to perform the various managerial functions that he is supposed to. Thus, a technician-owner might account problems. Then there is labour unrest. This is a part of the general problem faced by West Bengal industries as a whole. It is for this particular reason that many small units have had to shutdown in the recent period.

The attitude of the traditional small enterprises in relation to the changing industrial environment shows an interesting admixture of resistance and adaptation. They wish to live with their inherited traditionalism because they know it and, as such, feel secure. This sense of security is the basis of their risk bearing capacity. As entrepreneurs they would like to bear risks and grow bigger.

The new technology, however, constantly makes them aware of their limitations and takes away the old sense of security. So they would resist it to
the extent they are capable of resisting. At the same time they try to adjust with the realities for fear of losing the ground. They will resist any sophisticated machine to be installed at their establishments or any scientific method of management to be adopted at their office, but, none the less, they take keen interest in the working of a complex modern machine or perhaps send their wards to college to study engineering subject or commerce. This dualism in attitude presents a transitional behaviour pattern of the small industrialist in West Bengal.

Revitalizing West Bengal small-scale industries are the responsibility of both the State and Central Government. The investment in small sector is essentially labour-intensive and, as such, its development in West Bengal can solve to a great extent the State's problem of unemployment both in the agricultural as well as industrial sectors.

The problem of raw materials shortage long and small industries alike have been facing this problem for quite a long time. But in the case of small-scale industries this is so acute that a recent West Bengal Government publication has referred to it as a 'crippling shortage'. The position regarding the very short supply of scarce categories of iron and steel products since the decontrol of steel is perhaps the most critical. The reasons for crippling shortage are as such: (a) attributed to the discriminatory allocation of scarce industrial raw materials, both imported and indigenous and for this the responsibility largely lies with the Central government, (b) it is often alleged by the Central Authority that the State Directorate of cottage and small-scale industries never takes it seriously to communicate the raw materials requirement of the small-scale units in time. Cases were there to shown that despite letters followed by a number of reminders. The State Directorate did not care to reply to the enquiries made by the Central Government. (c)
Finally, the small-scale units are themselves partly responsible for this shortage. The State Government officials make the allegation that the attitude of the small entrepreneurs in respect of furnishing their own requirements of raw material is often found to be extremely non-cooperators.

But on the other side, it is also true that, among the various burning problems of West Bengal, the problems of the small-scale industries are very peculiar. No body cares much for this sector. Assurance and inadequate cooperation of the Central Government did not help much to develop the condition of this sector. It is not surprising that the number of registered small-scale units and the number of employees did not increase during the period 1989 to 2003. Moreover, the number of sick units is much more than in other States. Also, the number of unemployed persons is highest in this State. Kolkata has the headquarters of more than thirty types of industrial training centres. All those centres get loans from the nationalized banks but it did not help the small-scale units of this state positively. License issuing policy of the Central Government and its policy of imposing interest on the loans do not appear to be uniform; generally big industries help to develop small-scale industries. Such unfavourable conditions of big and medium industries of West Bengal could not help much to develop small-scale industries in the State. Ever since the question of industrial development to the forefront of public attention, it had been a constant complaint of the Bengali industrialist that sufficient capital was not forthcoming for this purpose. The various committees and commissions set up to investigate the question of industrial development also came out with the same view. Insufficient capital is one of the major bottlenecks for the failure of industries in West Bengal. Financial institutions and capital markets play an important
role in making available the supply of capital to industries. These agencies were the banks, the State and the Managing agency system.

To the investors, security of his investment is probably as important as that of rates of return, if not more. It would be quite natural for him to put his money only on those avenues where there are relative securities and comparatively high yield. But experiences tell the real story that industrial ventures were far steady and secure and were subject to extreme uncertainties.

Apart from vicissitudes of trade cycles, the various reasons which contributed to the unsteadiness of industrial ventures were voluntary winding up according to pre-determined plan, insufficient capital, inefficient or dishonest management, lack of technical knowledge and experience. No less was the want of business morality given rise to adventure companies which were inevitably closed down within a few years of their inception. Such concerns, according to the Bengal National Chamber of Commerce, not only entailed loss involving crore of rupees to the unwary investors but also “acted as a definite hindrance to the commercial and industrial development of the country through joint-stock enterprises”.

Availability of basic raw materials, skilled human resources and relatively developed infrastructure were traditionally the advantages for industrial activities in the State. Over several years in the past there has been serious discrimination at the national level against the State in the grant of industrial licensing during the regime of industrial controls and licensing. The deliberate policy of selective freight equalization has also deprived the State of its comparative location advantages. The discriminatory use of ‘controls’ over financial institutions and the apathetic attitude towards Central Public Sector Undertakings by the Union Government in the past are some of the glaring examples of the inexplicable bias against the interest of the State. According
to the report 'Crime in India 1997' West Bengal was 30th among the 32 States and Union Territories in terms of the Rate of IPC crime and Kolkata was 23 among the 23 largest cities. Moreover this was a period when incomes and therefore demand was growing.  

In the year 2002, a joint study by the World Bank and CII based on data from over a thousand firms, provides some support for the view that low profitability was the key problem in West Bengal, rather than labour militancy. The study only reports date for the group of what they call the poor investment climate States. West Bengal, tellingly, was in this group. Value added per worker in this State at least 30% lower compared to what the study calls the best investment climate States. In an effort to assess the contribution of various factors towards low profitability in this poor investment climate State, the study surveyed opinions of a large number of entrepreneurs. The entrepreneur themselves believed that labour market rigidities, represented by over-manning of factories, was less important in West Bengal that it was elsewhere in India. From the World Bank and CII report that finally the most important, strikes and over-manning were not the only cost of poor labour relations. If poor relations within the factory translate into a lazy or opportunistic labour force, productivity will suffer. If management has a lot of bargaining power this might not hurt them so much, it will be the workers who will pay the price in terms of lower wages.

Instead of labour relation, the report goes on to cite over-regulation, poor infrastructure and lack of skills as the most important problems faced by the poor industrial climate in West Bengal. Over-regulation is measured in the survey by the average number of visits to an industrial unit by the government

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1. A review of the Industrial Scene in West Bengal, Annual Report 1997-98, Commerce and Industries Department, Govt. of West Bengal, p 1.
inspector. While it is true that there visits are often a waste of time and have the potential of leading to corruption. The effects of poor infrastructure are much more palpable. A study puts West Bengal 14th among Indian States in 1997-98 in terms of an index of infrastructure; as compared with 4th position in 1971-72. The index comprises (a) roads, railways, ports, (b) irrigation, (c) electricity, (d) telephone, (e) loan-deposit ratios of banks and (d) tax collection of the State Government. In terms of each of these individual items, West Bengal has fall below the national average. These facts therefore suggest infrastructure to be a key factor explaining the decline of West Bengal's industrial performance relative to the rest of the country.

A striking fact about more than two decades is that migration into Kolkata has slowed very considerably, at a time when migration into Delhi and other cities has exploded. There was a time when young men of ambition from every part of the country came to Kolkata to seek their fortune. Now that trend has been entirely reversed. Even the Marwaris, the oldest and most well established community of migrant into West Bengal, are no longer looking for gold on the pavements of Kolkata.

One obvious bottleneck is the lack of quality roads. Power supply is another. Small entrepreneurs typically do not have access to the schemes through which the government has tried to provide power to industry. This is a particular problem for them since they cannot afford the overhead cost of a captive generator.

Over-regulation is yet another problem. Small entrepreneurs are the typical victims of corrupt factory inspectors; given the narrow margin on

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1. World Development Report, 2000/01, and IJ Ahluwalia, Industrial Growth in India. Stagnation since the Mid-sixties (OUP) 1985, Table 2.3
which they operate, the bribes can significantly reduce their prospects of succeeding. The prospect that an inspector could come and shut them down soon after they spend their hard-earned money to buy a small machine, make them reluctant to invest in the first place. One consequence of the fear of the regulator is that small firms do not register themselves, making them ineligible for final loans and other publicly supplied inputs such as power supply.

6.1. Current Scenario of Industrial Sickness in West Bengal:

West Bengal, a premier industrialized State in India, gradually lost its prominence in the industrial map of the country due to variety of reasons. As a corollary many of the existing industries which dominated the country’s industrial arena over 50 years or so became sick. To highlight current scenario of industrial sickness based on available statistical information relating to the units financed by the scheduled commercial banks. Although, industrial sickness had been rampant and all pervasive in West Bengal, the analysis of the data for the last couple of years indicates some improvement in the scenario. Sickness of large-sized industrial unit is different from the small-scale units.

The economy of West Bengal has grown slowly in recent years. It has number of sick units. The rate of growth has been much below. The reason behind it when new industrial centres were emerging all over the country which based on the part of the planning policy of the Government of India, but there has also been a fall in the attractiveness of West Bengal as an industrial place. Complaints were often made about labour unrest. The major part of the man-day loss was due to the closer and lock-outs rather than strikes. Near about 24.01 million man-days loss in West Bengal in 1987. It
reflects the employer’s response to labour union demands and some closers were simply due to sickness.  

6.1.1. Industrial Sickness in Non-SSI Sector:

Table 6.1 indicates as per information compiled by RBI based on units financed by scheduled commercial banks, there were 266 non-SSI sick/weak units in West Bengal as of June 1987 involving outstanding bank credit of Rs. 734.5 crore. As of March 1991, the number of non-SSI sick/weak units went up to 299 and the amount outstanding rose up to Rs. 1,103.4 crore. Data available as of March 1995 and March 2000 indicate decline in the number of non-sick/weak units to 261 and 241, respectively. The number of sick/weak units went up to 252 as of the end March 2001 but declined to 237 as of end March 2002. Despite this, the amount of bank credit outstanding against those units went up and reached the level of Rs. 1,593.0 crore as of March 2001. The amount outstanding against the non-sick/weak units in West Bengal, however, declined to Rs. 1,481.3 crore as of end March 2002, indicating a decline of 7% over the year. A comparative analysis indicates a secular decline in the share of West Bengal in all India number of non-SSI sick/weak units to 7.3% in March 2002 from 15.5% in June 1987. Similarly, the share of West Bengal in all-India outstanding bank credit against non-SSI sick/weak units declined to 7% in March 2002 from 17.5% in June 1987.

As Table 6.2 indicates Industry-wise analysis reveals that the overall improvement in the sickness scenario in the non-SSI sector of the State as reflected in the data for end March 2002 do not indicate to decline in sickness in major industry groups in the State such as engineering, jute, iron & steel and chemicals. Engineering group witnessed increase in number of sick units.

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<table>
<thead>
<tr>
<th>Year</th>
<th>West Bengal</th>
<th>All-India</th>
<th>% Share of WB</th>
<th>Amount Outstanding (Rs. Crore)</th>
<th>West Bengal</th>
<th>All-India</th>
<th>% Share of WB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-87</td>
<td>266</td>
<td>1712</td>
<td>15.54</td>
<td>734.5</td>
<td>4195.6</td>
<td>17.51</td>
<td></td>
</tr>
<tr>
<td>Mar-91</td>
<td>299</td>
<td>2337</td>
<td>12.79</td>
<td>1103.4</td>
<td>7975.8</td>
<td>13.83</td>
<td></td>
</tr>
<tr>
<td>Mar-95</td>
<td>261</td>
<td>2391</td>
<td>10.92</td>
<td>1321.9</td>
<td>10191.8</td>
<td>12.97</td>
<td></td>
</tr>
<tr>
<td>Mar-00</td>
<td>241</td>
<td>3164</td>
<td>7.62</td>
<td>1360.3</td>
<td>19047.3</td>
<td>7.14</td>
<td></td>
</tr>
<tr>
<td>Mar-01</td>
<td>252</td>
<td>3317</td>
<td>7.6</td>
<td>1593</td>
<td>21290.3</td>
<td>7.48</td>
<td></td>
</tr>
<tr>
<td>Mar-02</td>
<td>237</td>
<td>3261</td>
<td>7.27</td>
<td>1481.3</td>
<td>21245.6</td>
<td>6.97</td>
<td></td>
</tr>
</tbody>
</table>

in the State from 25 in March 2000 to 36 in March 2001, which remained at that level in March 2002. The amount outstanding against the sick engineering units, however, kept on rising from Rs. 273.5 crore at end March 2000 to Rs. 334.0 crore at end—March 2001 and further sharply to Rs. 418.7 crore in March 2002. The engineering group incidentally accounts for the largest share of non-SSI sick units in the State both in terms of number of units and amount of bank credit outstanding against them. Iron and Steel group in which West Bengal had a prominent place witnessed increase in number of sick units from 20 in March 2000 to 22 in March 2002 and increased in bank credit outstanding against them from Rs. 113.3 crore to Rs. 117.3 crore. Only textiles group saw some visible decline in number of sick units from 18 in March 2000 to 14 in March 2002 and bank credit amount outstanding against these units declined significantly from Rs. 84.2 crore to Rs. 44.9 crore over the same period. The improved scenario for non-SSI sector of the State as of end March 2002 is basically due to industrial units in the miscellaneous group. The number of non-SSI sick units in the miscellaneous group, which had gone up from 241 in March 2000 to 252 in March 2001, declined to 237 in March 2001. The amount of bank credit outstanding against such units as of end-March 2002 at Rs. 279.0 crore (Table 4.2) was significantly lower than those at end-March 2001 (Rs. 620.1 crore) and end-March 2000 (Rs. 344.7 crore).

6.1.2. Industrial Sickness in Small Scale Industries (SSI):

Industrial sickness in SSI sector of West Bengal became very rampant during the decade of 90s with the number of sick SSI units rising sharply from 30,748 in March 1991 to 1, 43,893 in March 2000, thus raising West Bengal’s share in all-India SSI sick units from 13.9% to 47.3% over the period. It is indicated in table 6.3, that the number of SSI sick units in West
### Table - 6.2

Industry-wise Non-SSI Sick/Weak Units and Amount Outstanding in West Bengal

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Units</th>
<th>Amount Outstanding (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2000</td>
<td>March 2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>March 2000</td>
</tr>
<tr>
<td>Engineering</td>
<td>25</td>
<td>36</td>
</tr>
<tr>
<td>Electrical</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>Textile</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Jute</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Paper</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Rubber</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Cement</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Iron&amp;Steel</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Chemical</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Metal &amp; Metal Product</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Vegetable Oil</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Leather</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Gem&amp;Jewellery</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Food</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>74</td>
<td>88</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>241</strong></td>
<td><strong>252</strong></td>
</tr>
</tbody>
</table>

**Source:** Report on Currency and Finance, RBI, Various Issues.
Bengal, however, declined to 113846 in March 2001 and further sharply to 53,957 in March 2002. Even then, West Bengal has the distinction of having the largest number of SSI sick units amongst the States accounting for 30.4% of sick SSI units at all India level. West Bengal’s share in amount outstanding against the SSI sick units which had marginally gone up from 9.2% in March 1990 to 12.1% in March 2000, declined to 8.8% in March 2002 (Table 6.3).

Thus, it may be inferred that a large number of SSI units in West Bengal with small amount outstanding against banks have become sick in West Bengal in particular after the mid-nineties.

The analysis in this subject is based on reviews prepared by RBI of the sick/weak industrial units financed by scheduled commercial banks. The analysis is indicative in nature. However, the coverage of non-SSI sector may be comprehensive, as the large industrial units have to necessarily depend upon finance from the scheduled commercial banks for their operation. This analysis indicated that the overall decline in incidence of sickness in non-SSI sector of West Bengal during the year ending March 2002 has not reflected in improvement in industrial groups which were treated as important for the State such as engineering, jute, chemicals and iron & steel. Rather the overall decline in the number of non-SSI sick units and the amount outstanding against such units, have been mostly due to industrial units in the miscellaneous category. As regards industrial units in the SSI sector, there is visible improvement with the number of sick units in the State declining sharply from the peak level of 1,43,893 in March 2000 to 53,957 in March 2002. The outstanding bank credit against such units also went down from Rs. 558.6 crore as the end-March 2000 to Rs. 422.5 crore as of the end-March 2002. The West Bengal’s share in number of sick units at all-India level declined from 47.3% in March 2000 to 30.4% in March 2002. In terms of
### Table - 6.3

**SSI Sick/Weak Units in West Bengal vis-à-vis All India.**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units</th>
<th>Amount Outstanding (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>West Bengal</td>
<td>All-India</td>
</tr>
<tr>
<td>Jun-87</td>
<td>18129</td>
<td>158226</td>
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<tr>
<td>Mar-91</td>
<td>30748</td>
<td>221472</td>
</tr>
<tr>
<td>Mar-95</td>
<td>50500</td>
<td>268815</td>
</tr>
<tr>
<td>Mar-00</td>
<td>142893</td>
<td>304235</td>
</tr>
<tr>
<td>Mar-01</td>
<td>113846</td>
<td>249630</td>
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<tr>
<td>Mar-02</td>
<td>53957</td>
<td>177336</td>
</tr>
</tbody>
</table>

amount of bank credit outstanding against SSI sick units, West Bengal’s share decline from 12.1% to 8.8% over the above period. Notwithstanding the relative improvement during last couple years, West Bengal has the distinction of having largest number of SSI sick units and fourth largest outstanding bank credit against such units amongst the States.

Rampant sickness and miserable plight of many of the existing industries in West Bengal act as a strong barrier to new investment in the State. The revival of the existing industries would, therefore, have to be accorded top priority while working out the strategy for industrial rejuvenation of West Bengal. Revivals of industrial sector in West Bengal, however, require efforts on parts off all the stake holders such as entrepreneurs, professional managers, labour, banks and financial institutions. Detection of sickness at incipient stage and quick redresses of causative problems would go a long way in reducing incidence of industrial sickness in the State.

Considering the importance of cottage and small-scale industries in the context of generation of employment opportunities of large number of people of this State much stress has been laid on the promotion and development of cottage and small-scale industries.

This ceiling limit of investment in SSI sector has been raised from Rs. 60 lakhs to 300 lakhs. As a result of number of SSI units will be raised to a considerable extent. Thus, it requires more funds for this department for providing for infrastructure and growth opportunities.

6.2. Industrial Sickness in West Bengal:

Usually the best medicine for curing industrial sickness is shedding excess labour. For long, West Bengal’s Marxist rulers were averse to taking this bitter pill. The result: an extremely poor track record in reviving sick
But sickness has grown. Consequently, new investment too has refused to come in. The much touted state’s industrial base has been continuous erosion over more than three decades forcing to State Government to realize that this cannot go on any longer. Sickness has to be cured even if that entails taking bitter pills.

There is no harm to look at each and every option to revive a unit without changing the ownership status. But if it is inevitable privatization, downsizing and redeployment can also be considered on last resort basis.

Since 1994, there has been a lot of talk about West Bengal being the best destination for investment. The State’s unique selling proportion (UPS), existence of a solid industrial base and easy availability of trained manpower. But a look at the state’s industrial battle field shows far too many casualties. Metal Box India Ltd., India Iron and Steel Company Ltd (IISCO). Jessop, Durgapur Chemical and Durgapur Projects, to name only a few industrial are some of the heavy weights which have all become stretcher cases.

Ground realities, however, are gloomy. To take just one single case—the revival of the states oldest integrated steel plant IISCO has been hanging fire for years. Rehabilitation proposals have come and gone but IISCO’s illness goes on forever.

For long, industrialists have been afraid of coming to West Bengal because of its legacy of labour trouble, low productivity and poor work ethics. In sharp contrast to the early days of Marxist rule in the State, today the State Government’s attitude towards trade unions have changed. Former Chief Minister as well as present Chief Minister has said on numerous occasions that “the government has no role to play at plant level negotiations between labour and management”. And “given the changed economic scenario both labour and management must shed their earlier rigidities. The value of
infrastructure for development and revitalization of the sick industries is very important. The lack of proper infrastructural facilities is one of the main causes for slow development of industries in this State. Main reasons are (a) no new local industrialist came forward to open new industries, (b) lack of thinking regarding industrial growth, (c) faulty Central Government Policy, (d) shortage of electricity and water and bad roadways. West Bengal should install modern machineries in old big industries adopting modern scientific techniques.

Industrial sickness only occurs due to the industrial dispute, strike and lockout in industry. Though, the numbers of industrial disputes have been decreasing in West Bengal. As it is shown in Table 6.4, that the total number of industrial disputes handled during the year 1995 was, 6,630 and number of disputes disposed of during the same year was 3,073 (46.35%) which came down to total number of disputes handle 4,378 in 2004 and the dispute disposed 1,379 (31.50%) same year. The table shows the trend that there were continuous declined in disputes. The table is inclusive of disputes arising out of strike, lockout and closers. The causative distribution of disputes settled through conciliation. The character and effectiveness of the State policy in matter of labour relations has indicated by the significance of conciliation as a method of setting industrial disputes. It is evident from Table 6.4 that in recent years there has been a steady declined in the percentage of disputes settled through the State participation in conciliation. In fact, during these years all the major strikes, such as the strike in jute mills, cotton, leather, tea etc. among several others, were settled through the intervention of the State Government. When these facts are combined with the recorded improvement in the real earning of workers, the character and the effectiveness of policy of the State Government in the sphere of labour relations come out significantly.
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Disputes brought forward from previous Year</th>
<th>No. of disputes raised during the year</th>
<th>No. of disputes handled during the year</th>
<th>No. of disputes disposed of during the year</th>
<th>Percentage of disposal of the total disputes handled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>3800</td>
<td>2830</td>
<td>6630</td>
<td>3073</td>
<td>46.35</td>
</tr>
<tr>
<td>1996</td>
<td>3557</td>
<td>2250</td>
<td>5807</td>
<td>2352</td>
<td>40.5</td>
</tr>
<tr>
<td>1997</td>
<td>3455</td>
<td>2442</td>
<td>5897</td>
<td>3197</td>
<td>54.21</td>
</tr>
<tr>
<td>1998</td>
<td>2700</td>
<td>2402</td>
<td>5102</td>
<td>2138</td>
<td>41.51</td>
</tr>
<tr>
<td>1999</td>
<td>2984</td>
<td>2301</td>
<td>5285</td>
<td>2234</td>
<td>42.27</td>
</tr>
<tr>
<td>2000</td>
<td>3051</td>
<td>2275</td>
<td>5326</td>
<td>2857</td>
<td>53.64</td>
</tr>
<tr>
<td>2001</td>
<td>2469</td>
<td>2404</td>
<td>4873</td>
<td>2570</td>
<td>52.74</td>
</tr>
<tr>
<td>2002</td>
<td>2303</td>
<td>2053</td>
<td>4356</td>
<td>1650</td>
<td>37.88</td>
</tr>
<tr>
<td>2003</td>
<td>2706</td>
<td>1852</td>
<td>4558</td>
<td>1769</td>
<td>38.81</td>
</tr>
<tr>
<td>2004</td>
<td>2789</td>
<td>1589</td>
<td>4378</td>
<td>1378</td>
<td>31.5</td>
</tr>
</tbody>
</table>

*Source: Labour in West Bengal, 2004, Dept. of Labour, Govt. of West Bengal.*
6.3. Strike and Lockout in West Bengal:

Table 6.5 shows the number of strikes and lockout since 1970 along with the number of men involved and man-day lost. There were indeed rashes of strikes in the early 1980s: according to the West Bengal Labour Commissioner there were 78 strikes in 1980, as compared to an average of 22 per year over the period 1990-97. The average number of man-days lost due to strikes in the eight years from 1990-97 was just below 17 lakhs. If it leaves out 1992, the one year when there was a really big strike, the average comes down to 6 lakhs, which amounts to less than one day per private organized sector employee in a year.

There was a fall in the number of strikes from 1980 to 1994 and tipsy tardy situation in the number of lockout up to 1994. In 1995, there was also a fall in the number of men involved and man days lost in lockouts compared to the previous year. In the case of strikes, there was in 1995 an increase in the number of men involved and man-day lost. Though, there has been a fall in the number and the average duration of both strikes and lockouts. Thus, fall has been significant in the case of strike and is explained, to a great extent, by the successful, leading to a substantial increase in wage during the year 1994-96. Despite changes in the industrial scenario brought about liberalization and competition, which affects the interests of workers as well, the industrial relations in the State were by and large peaceful, cordial and smooth. During the year 1994-96 there were 142 and 144 cases of work stoppages. Strike and lockout affected near about a loss of 12.87 and 10.28 million man days respectively.

There were indeed rashes of strikes in the early 1980s. There were 78 strikes in 1980, as compared to an average of 22 per year over the period of
Table - 6.5

Strike and Lockout in West Bengal

<table>
<thead>
<tr>
<th>Year</th>
<th>Strike</th>
<th>Lockout</th>
<th>All Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of cases</td>
<td>No. of Men involved (in thousand)</td>
<td>No. of Men involved (in million)</td>
</tr>
<tr>
<td>1970</td>
<td>678(84.1)</td>
<td>57.8(61.3)</td>
<td>128(15.9)</td>
</tr>
<tr>
<td>1980</td>
<td>78(37.5)</td>
<td>14.8(23.9)</td>
<td>130(82.5)</td>
</tr>
<tr>
<td>1981</td>
<td>43(40.56)</td>
<td>17(1.06)</td>
<td>0.62(5.89)</td>
</tr>
<tr>
<td>1985</td>
<td>39(19.11)</td>
<td>0.2(1.31)</td>
<td>165(80.88)</td>
</tr>
<tr>
<td>1991</td>
<td>21(9.85)</td>
<td>0.08(0.39)</td>
<td>192(90.14)</td>
</tr>
<tr>
<td>1994</td>
<td>15(10.6)</td>
<td>0.14(1.1)</td>
<td>127(89.4)</td>
</tr>
<tr>
<td>1995</td>
<td>33(19.52)</td>
<td>234.4(75.9)</td>
<td>1.25(10.23)</td>
</tr>
<tr>
<td>1996</td>
<td>16(11.10)</td>
<td>1.67(16.2)</td>
<td>128(88.6)</td>
</tr>
<tr>
<td>1997</td>
<td>29(15.26)</td>
<td>8.4(8.61)</td>
<td>0.62(7.51)</td>
</tr>
<tr>
<td>1998</td>
<td>25(10.50)</td>
<td>2.73(2.53)</td>
<td>0.22(1.90)</td>
</tr>
<tr>
<td>1999</td>
<td>34(11.41)</td>
<td>330.25(69.8)</td>
<td>3.90(18.00)</td>
</tr>
<tr>
<td>2000</td>
<td>27(8.63)</td>
<td>204.48(55.9)</td>
<td>3.11(16.22)</td>
</tr>
<tr>
<td>2001</td>
<td>20(6.8)</td>
<td>20.50(13.67)</td>
<td>1.37(6.45)</td>
</tr>
<tr>
<td>2002</td>
<td>30(7.98)</td>
<td>82.07(35.5)</td>
<td>1.19(5.44)</td>
</tr>
<tr>
<td>2003</td>
<td>32(8.36)</td>
<td>458.77(72.5)</td>
<td>1.55(5.85)</td>
</tr>
<tr>
<td>2004</td>
<td>20(5.31)</td>
<td>205.52(53.5)</td>
<td>1.77(6.62)</td>
</tr>
</tbody>
</table>

Source: Labour in West Bengal, 2004, Dept. of Labour, Govt. of West Bengal
1990-97. The average number of man days lost due to strikes in the eighties years from 1990-97 were just below 17 lakhs. Though Table 6.5, show that there were remarkable check in the number of cases on strike during 1999-01, therefore, result shows that number of men involved in strike as well as number of man-days loss drastically decline, but in the cases of lockout, it continuously increased due to conflict in between labours and employers. During the year 2004, there were 377 cases of work-stoppage (strike and lockout) affecting about 3.84 lakh workmen with a loss of 26.72 million man-days against 383 cases affecting about 6.53 lakh workmen with a loss of 26.36 million man days in the year 2003. (Table-6.5). Industrial relation in the State has improved in 2004. This Table analyses the cases of strike and lockout separately which shows that during the year 2004 there were 20 cases of strike affecting about 205.52 thousand workmen and entailing a loss of 1.77 million man-days against 32 cases of strike affecting about 458.77 thousand workmen entailing loss of 1.55 million man-days in West Bengal. During the year 2004 there were 35 cases of lockout affecting about 178.48 thousand workmen with a loss of 24.95 million man-days against 351 cases of lockout affecting about 173.77 thousand workmen with a loss of 24.81 million man-days in 2003.

The Government’s official industrial relations statistics reveal a much improved state of affairs. Man days lost due to strikes have come down sharply over the years. Those lost due to lockouts, have also come down but the share of man-days lost due to lockouts have gone up dramatically proving that at least on paper trade union militancy is on the downswing.

Though revival of closed and sick industrial units is primarily the responsibility of the Central Government, but because of the lack of responsive attitude of the Central Government towards sick and closed units
in the State, the State Government has taken upon itself a major responsibility of reviving and assisting sick and closed units in the State.

Despite changes in the industrial scenario brought about liberalization and competition, which affect the interest of workers as well, the industrial relations in the State by large peaceful. With the industrial climate turning positive in West Bengal more and more promoters are coming forward to reopen sick and closed industries. Meanwhile, with land reforms based agricultural development in West Bengal, the demand for industrial goods has been created within the State and the demand is increasing by about 10% per year. Even though an industrial recession has gripped the world, the investment scenario in West Bengal is looking up with foreign companies, indigenous investors and NRI’s showing increasing interest to invest in West Bengal.

To decline the number of dispute and strike-lockout, the State Government should make a proper care for safety and health of industrial labour. More emphasis should be given to the collective bargaining in all type of industrial disputes. Management should come forward to take the workers into confidence and to consider their views and suggestions for reopening, revival and smooth functioning of these units. This will also help in creating an atmosphere of cooperation and healthy industrial relations. The main aim of the industrial policy of West Bengal government is to established public sector industries. Of course the joint venture with the industrialist to setup private sector is also a part of the policy and this should be done in the great interest of the State. The proper climate created by the State Government along with the various opportunities for the industrial sectors in the beginning of the new era of development for this sector in West Bengal. If new investments do take-off in the way they are now threatening to do so, the
industrial relations scenario is bound to change for the better. More jobs, higher payments and a booming and healthy job market will surely translate into a happier, more satisfied and more productive labour force in the State.
Conclusions and Suggestions
Conclusions

The study is fully based on secondary sources of the data published by various government departments of the State of West Bengal. It is worthwhile to note certain remarkable features of the work. The findings also are of paramount significance due to the obvious reasons that the arena in which we are living is termed as the age of global village and achievements in the field of science and technology is at its zenith. West Bengal as has been stated earlier was one of the main hub of industrial concentration in India but it could not maintain the hegemony with change of the time. There have been various reasons inimical to industrial growth in West Bengal.

In the previous chapters critical reviews of some aspects have been made of Industrial Development in West Bengal since 1971. Here intend to summaries in brief the trend and extent of industrial development during the period of study.

In the 1970s industrial growth in the country was sluggish. If one left out the 10.6% growth achieved in 1976, the average growth during the period in the region of West Bengal was 4%. It is seen therefore that 1970 to 1987, i.e. in barely near about two decades, West Bengal relative position as an industrial state in the country had deteriorated drastically. Low level of industrial investment was the main reason for West Bengal’s decline. Moreover the industrial structure and competitive edge of West Bengal industry might not have been conducive for accelerated industrial growth.

The establishment of jute manufacturing industry in West Bengal was one of the significant contributions in India. The men coming as they did from far flung regions not only pioneered the industry but also developed and organized the industry efficiently and opened out a vast market for it products
which not only provided jobs for hundreds of thousands of their employees but also benefited millions of agriculturists in the jute products district of West Bengal. In their effort they were highly successful due to certain location advantages, the most important of these being the close proximity of jute growing district of Assam and relative cheap labour force.

The analysis shows that problem was accentuated due to the shrinkage of world demand, lack of diversity in Kolkata’s production and poor salesmanship also positively contributed to fall in demand. The most important problem jute manufacturing industry faced due to growth of substitutes in the wake of paper bags and cotton sacks and the use of mechanical contrivances for bulk handling. The only possible solution to their problems seemed to lie in the rationalization of the industry.

Table 4.1 gives a clear picture that though the production of jute products increased during 2003, as compared to 1971. But the other sections, particularly number of operation units as well as working loom drastically declined. The reasons have mentioned in explanation in chapter 4.

The trends in the production of cotton yarn and cloth are shown in Table 4.2. Both the trends indicate the existence of difficulties in production since almost the year 1974. Most of the cotton required by the mills in West Bengal has to bring from the State such as Punjab and Gujarat which are 1,800 to 2,000 kilometers away. This selective non-equalization of the freight rates has been acting for quite sometime, as a major constraining factor in the growth of cotton textile industry in the State.

Table 4.1 mentioned that production of cotton yarn continuously increased up to 1987, but production of fabrics could not follow the same pace and it’s gradually started declining since 1973. The main reason to fall down

was due to floods had once again affected the production in some of the cotton mills in the State and a comparison among these years, production figures of mill yarn and cloth reveals that there were significant production losses in the flood affected years in both these sections of cotton textile industry.

More important than these yearly fluctuations, however, are has long term trends in the production of yarn and cloth in the state presented in Table 4.2. Both these trends show a declining tendency suggesting the existence of more basic constraints on production. These constraints arise at the State level primarily from the acute deficit, as shown in Table 4.2, in terms of gap between the production of raw cotton and its consumption. From which the entire eastern region suffers in comparison with all other regions. Apart from the structural imbalance which afflicts the cotton textile industry in the country. The mills in the West Bengal have the added disadvantage of having to bear the cost of high freight rate on raw cotton which has to import from Punjab and Gujarat.

Table 4.3 shows that the production of tea in West Bengal increased from 104.08 million kg to 131.87 million kg during 1971 to 1978, primarily in response to the export boom. But after that upto 1981, there were ups and downs in production of tea. This is because of drought which had affected the production of tea in the entire country. Due to effect of the drought, a sharp fall in the average yield rate of tea in all the tea growing areas of the State.

Production of tea, as can be seen from Table 4.3, increased to 169.9 million kg. in 1997, from 150.6 million kg. in 1992. The basic problem of tea industry was that the annual increase in production of tea was usually lowered than the increase in demand for tea. This has put upward pressure on tea prices and recent time, tea prices in the country have increased significantly.
Another important weakness of this industry is its seasonal character and difficulty is the long gestation period.

Production of finished tea is also more or less steady over the years as may be evident from Table 4.4, production of tea in West Bengal during the year 2002 declined as compared to 2001.

The State Government in the small-scale industries development programme has identified the leather industry as a thrust area. The State Government has made the various promotional measures like incentives, provision of soft loans etc to assist small-scale industries. During the decade of eighties, the State Government was trying to developed leather industry and improved the condition of cobblers through arrangement of training and servicing facilities in footwear and other leather goods industry.

As a result of these steps small-scale leather units are coming up in larger number till now as indicated in Table 4.5. The Government of West Bengal has set up a state of art integrated Leather Complex on the eastern fringe of Kolkata at Karaidanga. After completion, the leather complex will be largest leather complex in the world capable of processing 1000 tones of raw hide per day.

The overall index number of industrial production in the State with the base year is 1970. However, for maintaining continuity and providing comparable date, the overall index number of industrial production with 1970 as base year as given in Table 4.6. This movement of overall index of industrial production indicates the aggregate picture in the sector of large and medium industries.

In so far as the financial assistance of West Bengal Financial Corporation (WBFC) to small units are concerned, there has been some increased in share of small units both with respect to number of units covered
and the amount of loan disbursed. The possibilities of improvement however persist here, particularly with respect of percentage of the total loan disbursed to the small units. In the provision of finance, in addition to these programmes, term loans are available from the WBFC. The trends in this assistance in terms of improvements in the share of small units, both in the total number of units assisted and in the total assistance disbursed, appeared to be required direction. There has been a significant increase in the amounts actually disbursed under incentives and other form of assistance in recent year. WBFC acts as the model agency for providing financial assistance to the small-scale sector. It is also claimed that the WBIDC has exerted its proportional efforts by providing lone and equity capital as well as guarantee to large and medium scale units. For providing industrial infrastructural facilities also there is West Bengal Industrial Infrastructure Development Corporation, the adequate working of which can go a long way toward eliminating inter-regional economic disparity, thereby also negating the features of industrial dualism. For small industries, the West Bengal Small Industries Corporation supplying scarce raw materials, West Bengal Financial Corporation, formation of some more proposed industrial estates, etc., can really provide yeomen service, if properly controlled, directed, streamlined and set for task assigned to them.

But in the virtual absence of existing banking facilities, owners have to borrow money from indigenous moneylender who charges much higher rates of interest than the banks would have allowed. This difficulty in raising adequate capital for middle sized industries led to the liquidation of many industrial enterprises and in many others cut the margin of profits and unduly delayed the dividend-earning stage.
In the absence of adequate public subscription and specialized financial institutions, banks unexpected to play an important role by advancing liberally to the causes industry. But these followed a very conservative approach as regards their grant to industries. They advanced but only short term loans that too after satisfy themselves regarding their numerable laid down procedures. Naturally, the demands for State aid become urgent.

However, in the absence of properly developed financial institutions, the managing agency system played an important role. Although their share in the fixed capital expenditure could not be said to be substantial, it is possible that they contributed quite liberally in times of economic distress by providing short-term loans. But being mostly partnerships their funds were also limited. In short, it can be said that there was no well developed financial institutions to meet the needs of industry. The result of such absence was disastrous. Many companies in need of money had to be closed down and many more not even see the light of day. Purely financial point of view in the recent past the credit deposit ratio in West Bengal has been found to register a marked declined.

In the small-scale sector, there has been an encouraging trend in the number of units’ setup. This sector is loosing the pace of contributing in economic growth and development of the State. The Table 5.1 shows that the number of small-scale industrial units registered with the Directorate of cottage and small-scale industries by district in West Bengal. In initial stage from 1971-72 to 1989-90 small-scale industrial units tremendously grown up from 4,960 units to 29,636 units, but this sector faced a set back after 1990s due to introduction of liberalization policy.

West Bengal had registered significant growth in small-scale industries before nineties. But in the nineties, after the introduction of the new
liberalized policy by the Central Government, there has been sharp declined in the growth of small-scale industries in West Bengal and in other States of India. The primary reason for this is that commercial banks in the liberalized era, operating on strict commercial terms, were reluctant to finances small-scale units, especially new small-scale units, since they attract loans on soft terms and provide, in the banks perception, less assured prospect of recovery.

A clear indication that investment intentions in the small-scale sector in the State have been buoyant but have been thwarted by the lack of bank credit has given by the large number of small-scale units obtaining registrations. Since 1991-92 to 2003-04, for instance, registered SSI units were continuously declined from 27,434 to 10,114.

Table 5.2 shows that during the period under review, the growth of small-scale units in Kolkata industrial zone almost higher than Gangetic zone and North Bengal zone. But Kolkata industrial zone has lost the momentum to progress rather than declined from 70.62% to 49.95% during 1970-71 to 2002-03. On the other hand, distribution of small-scale industrial units steadily increased in Gengetic zone. Exactly same has happened in the case of distribution of employment in small-scale industrial units, as mentioned in Table 5.3.

A large number of temporary and provisional registrations indicate that the potentiality of investment in small-scale sector continues to be significant, although the actual number of small-scale industrial units in operation has declined sharply each year compared to those of the pre-liberalized era, as indicated in Table 5.4. Since 1990-91 to 2003-04, number of registered SSI units declined from 28,846 to 10,114. During same year employment opportunities come down from 1, 63,132 to 61,326. One of the reasons for the decline may be gradual de-reservation of industrial items from
the exclusive domain of the small-scale sector. The other constraint, presumably, be lack of credit.

Table 5.5, which shows that total employment in the organized sector in the state rapidly increased up to initial stages of new industrial policy. It was in 1971-72, total employment 49,050, where about expanded to 1, 63,132 in 1990-91 was employed in the organized private sector and public sector.

The major share of employment in the small-scale industrial unit registered, particularly at Kolkata and its surrounding places like Howrah, 24 Parganas, Burdawan, Midnapur, Hoogly and Murshidabad. Apart from the increase in employment from rising production in different sectors, significant employment is also generated from the self-employment programmes implemented in the State each year.

Now, introducing of liberalization policy since 1990's, the pace of employment opportunities slow down in small-scale industries, due to various reasons. In recent years, as Table 5.5 indicates, employment in newly registered factories has increased. This has not however led to the increase in industrial employment in the State. Competitive pressures in the liberalized era have forced many of the old labour intensive units to close down or to downsize their workforce considerably. Against this, the units coming up are capital intensive with much lower employment potential. Moreover, much of employment in new units is casual in nature. So, quantitatively and qualitatively liberalization had adverse impact on industrial employment in the country and in particular in West Bengal.

Table 5.6 shows an encouraging trend about the activities of the State Industrial Development Corporation. More investment in small-scale units has been made 1997-98, resulting in a corresponding increase in employment. It thus appears that investment in industries may be one of the positive factors
in the generation of employment. While the rising income and production in the rural and urban areas of the State have generated considerable demand impetus for the growth of the small-scale sector. The State Government on its part has fashioned a multifaceted promotional package in order to facilitate investment in this sector.

The West Bengal Financial Corporation (WBFC) is the prime state level agency for providing financial assistance to the small-scale industry sector. The different types of financial assistance provided by WBFC to small-scale industries include soft loans, equity participation, equipment refinance, composite loans, special scheme of assistance for women entrepreneurs, single window facilities, etc.

It is useful to consider the performance of the handloom industry as an example of one of the most important cottage industries in the State. The State production of the handloom cloth, as indicated in Table 5.7, has shown a significant improvement in 1980-81 and also a raising trend in recent years. This trend has closely associated a similarly rising trend in the co-operative fold of the industry. The approach of the State Government towards the handloom sector has been one of placing a productive emphasis on the co-operative fold of all sectors. In order to make this cooperative fold more productive, it has been found essential to recognize its structure, by weeding out the non-viable societies, usually dominated by the vested interest of non-weavers and the strengthening the potentially viable societies and also promoting new societies of genuinely small weavers.

The number of handloom co-operative societies has continuously increased from 1,922 in 1995-96 to 2,209 in 2003-04. The production of handloom cloth increased from 401 million meters in 1995-96 to 1199.75 million meters in 2003-04. Production of handloom cloth declined in 2001-02...
as compare to previous year as shown in Table 5.7. A major problem in the handloom industry is the inadequate availability of yarn.

In the field of sericulture, an attempt has also been initiated to change in the sericulture of production in favour of small producers and with the assertion of social control. These attempts include programmes of assistance to marginal cultivators in several areas. Steps have also been carefully taken to implement these programmes with a social control in order basically to neutralize, as far as possible, the unproductive activities of middlemen. The results of these attempts can be seen in Table 5.8 in terms of increase in the area under mulberry cultivation, provision of employment and production of raw silk. Table 5.8, proved a tremendous progress of sericulture industry in West Bengal during 2000-01 to 2004-05, that is, production of mulberry silk and tasar silk were 10.5 lakh kg. and 0.15 lakh kg. in 2000-01, where increased to 14.8 lakh kg and 0.27 lakh kg in 2004-05 respectively, though production of eri silk unable to follow the same pace.

To consider small-scale industries has emerged as a dynamic and vibrant sector of the economy during the period 1971-2004. Due to several policy initiatives and policy support measures taken by the government from time to time, this sector has delivered a reasonable growth, in terms of broad characteristics like the number of units, value of production, employment. The small-scale industries have also helped to achieve a growth in industrial employment, specially at a time when employment in organized industrial sector has stagnant.

In the cases of Tables 6.1, 6, 2 and 6.3, the analysis in these subjects are based on reviews prepared by RBI of the sick and non-sick/weak industrial units financed by scheduled commercial banks This analysis indicated that the overall decline in incidence of sickness in non-SSI sector of
West Bengal during the year ending March 2002 has not reflected in improvement in industrial groups which were treated as important for the State such as engineering, jute, chemicals and iron & steel. Rather the overall decline in the number of non-SSI sick units and the amount outstanding against such units, have been mostly due to industrial units in the miscellaneous category. Rampant sickness and miserable plight of many of the existing industries in West Bengal act as a strong barrier to new investment in the State. The revival of the existing industries would, therefore, have to be accorded top priority while working out the strategy for industrial rejuvenation of West Bengal. Revivals of industrial sector in West Bengal, however, require efforts on parts off all the stake holders such as entrepreneurs, professional managers, labour, banks and financial institutions. Detection of sickness at incipient stage and quick redresses of causative problems would go a long way in reducing incidence of industrial sickness in the State.

Industrial sickness only occurs due to the industrial dispute, strike and lockout in industry. Though, the numbers of industrial disputes have been decreasing in West Bengal as it is shown in Table 6.4. The table shows the trend that there were continuous declined in disputes. The table is inclusive of disputes arising out of strike, lockout and closers. The causative distribution of disputes settled through conciliation. The character and effectiveness of the State policy in matter of labour relations has indicated by the significance of conciliation as a method of setting industrial disputes. It is evident from Table 6.4 that in recent years there has been a steady declined in the percentage of disputes settled through the State participation in conciliation. In fact, during these years all the major strikes, such as the strike in jute mills, cotton,
leather, tea etc. among several others, were settled through the intervention of the State Government.

Though Table 6.5, show that there were remarkable check in the number of cases on strike during 1999-01, therefore, result shows that number of men involved in strike as well as number of man-days loss drastically decline, but in the cases of lockout, it continuously increased due to conflict in between labours and employers. With the industrial climate turning positive in West Bengal more and more promoters are coming forward to reopen sick and closed industries.

The State government has laid substantial emphasis on the growth of modern range of green field industries like petro-chemical, electronics, information and technology, leather, food processing and other industries identified in the policy statement on industrial development by the State Government. Modernization of plants and machineries without retrenching the employees has also come under the policy of the State Government. The proper climate created by the State Government along with the various opportunities for the industrial sectors is the beginning of new era of development for this sector in West Bengal.

Against the scenario, the recent acceleration in industrial growth particular after 1994 is very encouraging and may reflect the favourable effects of some of the industries, trade and fiscal reforms measures in West Bengal. But analysis also suggest that a significant price decline to sustain this accelerated growth process way have to come primarily through improved industrial management. Indeed, disembodied technical progress in the State, which was negative over several decades, has started gaining a positive value in many areas, giving an indication that management is improving.
Industries in the State lost their competitive edge. The engineering industries gradually wound up. Iron and steel processing industries were unable to compete with new industries established in other states. This was the beginning of the flight of the capital from West Bengal. There was a spurt in the growth of industries in South and Western regions. The condition of industry in West Bengal has aggravated further by the policy persuade by the Central Government. The case for West Bengal went by default with the Central Government on the number of occasions. A sanction for electronics industry was denied on the plea that West Bengal was a border state, ignoring the fact that the same was granted for Punjab, another border state. Petrochemical industry was denied for the establishment at Haldia, possibly under the pressure of the entrepreneurs in the Western part of the country. Representations made by the States of the Eastern Region for a change of policy by the Centre in the National Development Council went unheeded. There was strong resistance from the States enjoying the advantages from the prevailing policy.

West Bengal has major location advantages with ports at Kolkata and Haldia, a network of railway and road communications, stable power situations and improved telecommunication system. The substantial growth in the agriculture sector provides the necessary base for accelerated industrial development in the State. There is, thus enough scope for substantial flow of funds for investments.

Above all, the stable political situation provides the necessary climate, strength and confidence in the process of promoting industrial development in the State of West Bengal. The State Government is committed to the objectives of income and employment generation through a process of rehabilitation and revival of existing industries and coordinated and
accelerated development of new industries in the State. In this effort, he dedicated cooperation of the investors, industrial and financial institutions, labour, bureaucracy and the people of large is utmost importance.

The results presented in the earlier chapters analyzed and discussed in the light of the related studies carried out in the past.

**Suggestion:**

In view of the present positive climate of industrialization and also for employment, here government should come forward to reopen the closed/sick industrial units. There are a large number of skilled workers associated with every closed industrial unit. It is indeed possible to open many of these units of appropriate modernization and diversification of products. As a part of these measures, any industrialist intending to open a closed unit has already been made entitled to all the benefits of West Bengal Incentive Scheme for industries applicable for the new units.

There are severe shortages of electricity supply arising from deficiency in the growth of capacity for power generation in the State. The report on sickness comeback time and again to the fact that investment were made on the basis of expectation of power supply that turned out to be over-optimistic. To avoid this, the government should draw up a comprehensive and credible power plan for the foreseeable future, which is then made available to investors.

The cause of decline of industries in West Bengal was not clearly identified at the time. The trade union leadership in the State attributed the decline in the industries to a conspiracy of industrialist and Central Government. Who were indifferent to the interest of development of State labour reacted violently to the series of closure of industries, which characterized the period. It reveals that at present there is a need of proper
care to take safety and healthy care of industrial labour. More emphasis
should be given to the collective bargaining in all type of industrial disputes.
The maintenance of industrial policy of West Bengal Government is to
established public sector industries. Of course the joint venture with the
industrialist to setup private sectors is also a part of the policy and has to work
in the great interest of the State.

Planned should be formulated for the distribution of industry to the
hitherto starved areas with a view to open up new horizons of industrial
employment and vigorous life. West Bengal as a State is plagued with
problems of unemployment. Here few frontiers of industrial plans have to be
synthesized, i.e. plans based on resources, plans based on local needs, plans
based on employment approach.

Incentives to industrial growth must come from the State in various
distinct forms, such as, (a) creation of an infrastructure which cannot be
expected of the private sector, (b) incentives to the private sector to sponsor
industrial project by way of financial and subsidies grants, tax concessions
and liberalized license policy, and (c) sponsoring joint sector projects in steel,
engineering and mineral based industries so that an attitude to
industrialization may be ushered in for the region.

It is painful to note that corruption has assumed alarming proportions in
India and in particular in West Bengal, and morality has taken a backseat in
public life. It has been constant endeavour to urge people to take a firm stand
against corruption and wage a relentless battle those who perpetrate
corruption. Suggestive measures need to be adopted to minimize the
prevalence of crime as well as proper and efficient justice delivery system
should be stream lined to maintain a society where fear of crime does not
come in the way of people life.
Management training in the offices of industrial concerns and in the course of conducting business is important. This practical training is of vital importance to the world-be-entrepreneur as it acquainted people with the real facts of life, helps them to form sound business judgment and at the same time gave him the chance to learn the process at first hand. From study of the major organized industries in West Bengal, it is clear that State did not lack in industrial enterprise. Wanting in technical and commercial education, business, and knowledge and discouraged by the political, administrative, and financial arrangements.

Intent is not made clear only through a few steering speeches at CII plenary. Red tape will have to be removed totally; licenses, land and facilities made available in the quickest possible time. Infrastructure, specially roads, need desperate attention. Above all, the will to help the investors out of every stage must become evident from the actions. Despite the crores that are coming in, there is a very real longing for these among corporate investors within and outside the country. Time is money for every such investor, and the quicker Mr Buddhadev Bhattacharya’s cabinet realizes this, the faster will West Bengal’s fortune change. Because people appreciate the dynamism of the State’s undisputed leader, but often complain the machinery is not dynamic.

The policy initiatives for attracting investment have generated a lot of interest. The initiatives have been largely marketing West Bengal rather than creating an investor-friendly environment. The State is yet to identify core strengths and areas in which it should be able to attract new entrepreneurs. The authorities should accord to priority to reviving sick industries in the State. New investors will only invest when they find that existing industrialists are making profits from their units.
In addition to making bureaucracy investor-friendly, the State Government should have actual scheme in mind and should work according to priorities, such as (a) to determine which industrial activities in West Bengal would be profitable before persuading entrepreneurs to set up units. (b) Develop infrastructure including educational and recreation (c) interferences from locals should be discouraged (d) make clean Kolkata to provide incentives to industries.

It is now essential to solve the following problems of the small-scale industries of West Bengal for its fast development. These are: (1) to remove the scarcity of electricity and working capital, (2) to remove the difficulties of getting loans from different organizations, (3) to ensure the steady supply of raw materials, (4) to maintain the quality of materials which are earmarked of export, (5) to introduced scientific management system and to engage more technical experts in the small-scale industries, (6) to improve machineries which are essential to improve the production of the small-scale units, (8) to introduced quality control system to maintain the standard of the products and to remove the disparity of fares for the movement of raw materials, (9) to make some arrangements so that the owners of the small-scale industrial units get bank loans easily and timely, (10) to determine some rate of subsidies for the products of small- scale units which will be exported, (11) to make a good communication system between the sellers and buyers, (12) to get marketed all the products of small-scale industrial units under the guidance of the Government, (13) to make arrangements so that the owners of the small-scale units may not come under the clutches of middlemen, (14) to open the branches of SISI at block level of each district so that the employees of small-scale units may get proper training under them, (15) to set up store houses of block levels of each districts, (16) to increase the number of
Government Co-operative shops through which sale of the products may be increased, (17) to introduce the system of frequent inspection of the factory premises, (18) to remove the bureaucratic bottlenecks for the small-scale industrial units, to introduce training system for the administrators of the small scale units, (19) to remove the deficiency of the infrastructure, (20) to set up research centre, small-scale industries in West Bengal play a great role for the economic development of the state. Seasonal unemployed persons of this state work in the small-scale units. Moreover the agro- industries also help to remove the imbalances of different places. So it is very essential to develop the small-scale industries to utilize the regional resources as well as human resources. This is the only sector, which can create huge employment opportunities and can improve the economic condition of the people.

The study has put forward suggestions for industrial regeneration of the State based on observations. It believes that this study will stimulate further research in the field of industry in West Bengal; open new line of enquiry into the varied aspects of the problems of industrialization and help the planner and those who have upper most in their mind the economic regeneration of this problem state.
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