

Growth & Structure of Small Industries in Himachal Pradesh - A Comparative Study of Pre and Post Reform Periods

Abstract

The small scale industries have a key role to play in the industrial development of a developing economy, which has to encounter the scarcity of capital resources. These industries are vital for employment generation, enhancement of economic activities, optimum utilization of local resources, dispersal of industries across regions, raising income levels and aggregate demand. The pattern of growth and structural changes taking place in these industries pave the way for further industrialization of the economy.

The present paper is an attempt to study the various parameters of growth and structure of ten select small scale industries in the State of Himachal Pradesh and make a comparison thereof between the pre and post reform period. The study, which is based on the secondary data, noted the changes growth as well as structural shift in small scale industries.

Keywords: Small Scale Industries, Reform, Growth, Structure, Pre and Post Reform Period

Introduction

Industrial activities are one of the foremost concerns of modern economy. The development paradigms of developed and developing countries alike, essentially caters to the industrialization and diversification of industrial activities. While the abundance of capital resources with developed economies ideally pave the path for industrial development, the developing economies, on the flip side, are relatively scarce of capital and low capital formation in these economies prevents them to make huge investment in large industrial enterprise.

As such, the strategy of industrial development in developing economies invariably and inevitably encompasses the encouragement of small scale industries. These industries are predominantly labour intensive and developing economies have preponderance of surplus labour which could be put to varied industrial uses in a productive possible manner. Besides, the other goals, such as, eradication of poverty, generation of employment, balance regional development, dispersal of industrial activities and so on stand in favour of establishment of small industrial units.

Significance of Small Scale Industries

The small scale industries play an important role in the industrial development of developing countries. These industries requires comparatively small amount of capital investment vis a vis large industries. The surplus labour of developing economies can be productively absorbed small industries, thereby creating employment opportunities at the local level. "These industries are particularly suited for better utilization of local resources and for the achievement of local self-sufficiency, in respect of certain type of essential consumer goods, like food, cloth and agriculture implements"¹.

These industries are able to tap the locally available entrepreneurial talent as well as other natural resources available in the vicinity. "Small-scale industries make better use of indigenous organisational and management capabilities by drawing on a pool of entrepreneurial talent"² available locally. This promotes the optimum utilization of resources and avoids the incidence of waste of already scant resources.

The small scale units do not require huge infrastructure and highly sophisticated technology for their operations, as compared to the large

Mohan Sharma

Assistant Regional Director,
IGNOU Regional Centre,
Shimla, Himachal Pradesh

units. They draw strength mainly from the traditional skills and knowledge and thus, facilitate dispersal of industrial activities to the remote rural and backward areas depending upon their economic viability and the facilities extended by the government. The increase in industrial activities in the rural areas generate employment and raise income levels, which further boost aggregate demand and provide impetus to the industrialization. Besides, the small scale units strengthen various backward and forward linkages with large industrial units, provide for diversification of industrial structure, promote balanced regional development, enhance export and reduce dependency on imports.

Growth and Structure of Smallscale Industries

The small scale sector plays a vital role in the industrial development of the developing country like India, which has abundance of labour and relative scarcity of capital. As such, the growth of this sector is crucial to the overall growth of industrial sector, in particular, and the national economy, in general. The changes in the growth and structure of small scale sector influence the pattern of industrial growth in an economy.

The growth performance of small scale industries implies the changes in the some selected growth indicators, such as number of units, capital investment, production, employment generated, over a period of time. Further, the growth in number of small units without the commensurate growth in the other indicators does not alone signify the growth performance. As such, changes in the average size of units need to be studied and analyzed. Besides, the structural ratios such as per unit fixed investment, per unit investment in the original value of plant and machinery, per unit output, per unit employment, etc. provide better understanding of the growth performance of small units.

The structural changes examine the pattern of the spread of different industries, shifts in broad groups of industry, changes in their share to total output and employment, over a period of time.

Review of Literature

Sandesara (1993)⁴ had studied the growth and structural changes in the small scale industries in India to revisit the growth, size, structural changes and impact of the policy of reservation on small scale sector over a period of 15 years from 1972-73 to 1987-88. It was found that the number of units increased by 317 per cent between 1972 and 1987-88, whereas investment in fixed assets increased by 267 per cent. The growth of employment was found to be relatively modest at 122 per cent between the reference periods. Burange (2004)⁵ estimated the comparative growth rate of real output of the manufacturing sector over different periods for the selected States. The Annual Compound Growth Rate of Value of Output in the Organised Manufacturing Sector of all the States taken together during Post Liberalisation Period (1991-92 to 1997-98) was worked out as 9.90% for the manufacturing sector, with 8.26% for agriculture related industries and 10.69% for non-agriculture related industries. The

annual growth rate was estimated at 7.72%, 7.27% and 7.96% for manufacturing, agriculture-related and non-agriculture related industries respectively, during the pre-liberalisation period (1980-81 to 1991-92). Mishra (2006)⁶ studied the structural changes in the Indian Industrial Sector in the era of globalization. The study found that the number of factories at the national level had increased by 17% in 2003-04 in comparison to 1990-91. There was an increase in the capital-labour ratio with the decrease in the number of workers per industrial establishment. Sonia and Rajeev (2009)⁷ studied the impact of globalisation on the small scale industries in India. The period of the study was 1973 to 2007 and was based on different data sources such as Ministry of Micro, Small and Medium Enterprises and Handbook of Statistics on Indian Economy published by Reserve Bank of India. The study found that the average annual growth rate was higher (9.36%) in the pre-liberalised period as compared to the growth rate of 4.07% in the post-liberalised period, though the number of units increased during the study period.

Objectives of the Study

The specific objectives of the study are as under:-

1. To study the growth and structure of small scale industries in the State of Himachal Pradesh, and
2. To compare the change in the growth and structure of small scale industries in Himachal Pradesh during the pre and post reform period.

Research Design of the Study

For the purpose of the study the growth and structure of small scale sector, the period has been divided into the pre-reform period (1972-91) and the post-reform period (1991-2010). Further, the performance in terms of number of units established, investment made and employment generated in different industry groups for the year 1975, 1985 and 1991 (which account for a total period of 16 years) have been studied during the pre-reform period. Similarly, industry-group-wise indicators for 1991, 1999 and 2006 have been studied for the post-reform period, covering a total period of 15 years. Thus the growth performance between the pre and post reform period has become more comparable insofar as number of years is concerned. Further, as the entire concept of small scale sector has undergone a major change after the passing out of Micro, Small and Medium Enterprises Act 2006, the post-Act period, i.e., 2006-10 has also been studied separately.

For the purpose of the study, the small scale sector has been divided into the ten broad industrial groups, viz,

1. Food and allied products
2. Textiles/Hosiery
3. Wood and Wood Products
4. Paper and Paper Products
5. Leather and Leather Products
6. Glass and Ceramics
7. Chemical and allied products
8. Mechanical items
9. Electric and Electrical products
10. Miscellaneous and others

The data as compiled from the State Profiles of the different years prepared by the Micro, Small & Medium Enterprises Development Institute (the erstwhile Small Industries Service Institute) have been used to analyze the industry-wise trends in number of

units, investment and employment as well as per unit growth in investment, output, employment in the year 1975, 1985 and 1991 for the pre-reform period and the year 2006 and 2010 for the post-reform period.

Table : 1 Industry-Group-Wise Growth of Number of Units, Investment and Employment in Small Scale Industries in Himachal Pradesh During the Pre-Reform Period

S. No.	Industry Group	1975			1985			1991		
		Units	Investment (Rs. in thousand)	Employment	Units	Investment (Rs. in thousand)	Employment	Units	Investment (Rs. in thousand)	Employment
1.	Food & Allied	1016 (37.2)	20350 (33.9)	2500 (27.1)	4118 (41.2)	123500 (30.1)	12900 (30.9)	6657 (32.4)	401942 (26.7)	24402 (28.3)
2.	Textile/Hosiery	140 (5.1)	1910 (3.2)	410 (4.5)	1013 (10.2)	20250 (4.9)	3190 (7.7)	2424 (11.8)	93335 (6.2)	6640 (7.7)
3.	Wood & Wood Products	557 (20.4)	8300 (13.8)	2250 (24.4)	1266 (12.7)	35500 (8.6)	5500 (13.2)	2486 (12.1)	126453 (8.4)	10606 (12.3)
4.	Paper and Paper Products	39 (1.4)	2300 (3.8)	175 (1.9)	214 (2.2)	14018 (3.4)	1075 (2.6)	370 (1.8)	42151 (2.8)	1811 (2.1)
5.	Leather & Leather Products	111 (4.1)	1360 (2.3)	245 (2.7)	362 (3.6)	5440 (1.3)	855 (2.0)	822 (4.0)	31613 (2.1)	2156 (2.5)
6.	Glass & Ceramics	50 (1.8)	5605 (9.3)	650 (7.1)	194 (1.9)	34300 (8.4)	3750 (9.0)	390 (1.9)	109894 (7.3)	5777 (6.7)
7.	Chemical & Allied Products	97 (3.6)	5900 (9.8)	425 (4.6)	652 (6.5)	52160 (12.7)	3375 (8.1)	1192 (5.8)	183659 (12.2)	8795 (10.2)
8.	Mechanical Items	330 (12.1)	7300 (12.2)	1350 (14.6)	1450 (14.5)	98600 (24.0)	7750 (18.6)	2917 (14.2)	276994 (18.4)	16728 (19.4)
9.	Electric and Electx.	67 (2.4)	2225 (3.7)	230 (2.5)	293 (3.0)	15098 (3.7)	1420 (3.4)	657 (3.2)	82797 (5.5)	3104 (3.6)
10.	Miscellaneous & others	321 (11.9)	4800 (8.0)	980 (10.6)	426 (4.3)	11900 (2.9)	1870 (4.5)	2630 (12.8)	156562 (10.4)	6208 (7.2)
Total		2728 (100.0)	60050 (100.0)	9215 (100.0)	9993 (100)	410766 (100)	41685 (100)	20545 (100.0)	1505400 (100.0)	86227 (100.0)

Source: Compiled from the state profile prepared by MSME Development Institute, Solan,

Industrial Group-Wise Growth and Structure During Pre-Reform Period

During the pre-reform period, the food and allied products industry had a dominant role in the small scale sector in terms of all the three parameters of units, investment and employment. However, its share has gradually declined over the years from 37.2% of the total units in 1975 to 32.4% in 1991. The share of food and allied industries in the total investment had decreased from 33.9% in 1975 to 26.7% in 1991. However, its contribution to the employment generation in the small scale sector as a whole increased from 27.1% in 1975 to 28.3% in 1991, though there was decline of about 2% in 1991 in the share of food and allied industries in the total employment of small sector if compared to its contribution in employment in 1985. Still, the food and allied industries dominated in the small scale industrial sector during the pre-reform period.

The textile/hosiery industrial group contribution to the small scale investment has also increase from 3.2% to 6.2% and in employment from 4.5% to 7.7% during pre-reform period. The share of wood and wood based products in the small scale sector has declined from 20.4% of total units in 1975 to 12.1% in 1991, from 13.8% to 8.4% in total investment and 24.4% to 12.3% in total employment. In fact, it was the second important group in 1975

after food and allied industries and slipped to the fourth place in 1991 in terms of number of units.

The industrial groups such as paper and paper products, leather and leather products and glass and ceramics had not reported significant variation and their share in the total number of units, investment and employment in the small scale sector had remained more or less stagnant in percentage terms. The contribution of chemical and chemical products in the number of units, investment and employment had increased from 3.6%, 9.8% and 4.6% in 1975 to 5.8%, 12.2%, 10.2% respectively. Likewise, the mechanical items accounted for 12.1% of total units in 1975 which increased to 14.2% in 1991, whereas its contribution in investment and employment rose from 12.2% to 18.4% and from 14.6% to 19.4% respectively during the same period, though there was decline in its contribution to the total investment if compared from its share (24%) in 1985. An analysis of the pattern of growth of number of units, investment and employment revealed that in absolute as well as percentage terms 'food and allied industries' had been the dominant group in the small scale sector during the pre-reform period. In the initial stage, the 'wood and wood based products' was the second largest group. However, its place was taken by mechanical items, which indicated that the state

industrial sector was gradually shifting to the more sophisticated, technical and industrialized activities

Table : 2 Industry-Group-Wise Growth of Number of Units, Investment and Employment in Small Scale Industries in Himachal Pradesh During the Post-Reform Period

S. No.	Industry Group	1991			1999			2006		
		Units	Investment (Rs. in thousand)	Employment	Units	Investment (Rs. in thousand)	Employment	Units	Investment (Rs. in thousand)	Employment
1.	Food & Allied	6657 (32.4)	401942 (26.7)	24402 (28.3)	7721 (28.1)	347445 (17.8)	26953 (19.3)	8738 (26.8)	611660 (18.9)	26214 (17.5)
2.	Hosiery/Textile	2424 (11.8)	93335 (6.2)	6640 (7.7)	3716 (13.6)	148640 (7.6)	11148 (7.9)	4287 (13.1)	278655 (8.6)	17148 (11.4)
3.	Wood & Wood Products	2486 (12.1)	126453 (8.4)	10606 (12.3)	3413 (12.4)	170650 (8.7)	15312 (10.9)	3939 (12.0)	283608 (8.7)	15756 (10.5)
4.	Paper and Paper Products	370 (1.8)	42151 (2.8)	1811 (2.1)	429 (1.6)	55770 (2.9)	2370 (1.7)	557 (1.7)	83550 (2.6)	2785 (1.9)
5.	Leather & Leather Products	822 (4.0)	31613 (2.1)	2156 (2.5)	1324 (4.8)	52960 (2.7)	4648 (3.3)	1371 (4.2)	78147 (2.4)	5484 (3.6)
6.	Glass & Ceramics	390 (1.9)	109894 (7.3)	5777 (6.7)	557 (2.1)	150390 (7.7)	5849 (4.2)	622 (1.9)	181624 (5.6)	5598 (3.7)
7.	Chemical & Allied Products	1192 (5.8)	183659 (12.2)	8795 (10.2)	1520 (5.5)	243200 (12.5)	18417 (13.3)	1940 (6.0)	417100 (12.9)	15520 (10.3)
8.	Mechanical Items	2917 (14.2)	276994 (18.4)	16728 (19.4)	3955 (14.4)	355950 (18.2)	29688 (21.2)	4721 (14.5)	542915 (16.7)	42489 (28.3)
9.	Electric and Electx.	657 (3.2)	82797 (5.5)	3104 (3.6)	828 (3.0)	189600 (9.7)	7540 (5.4)	1248 (3.8)	336060 (10.4)	8736 (5.8)
10.	Miscellaneous & others	2630 (12.8)	156562 (10.4)	6208 (7.2)	3976 (14.5)	238560 (12.2)	18062 (12.9)	5205 (16.0)	426810 (13.2)	10410 (6.9)
	Total	20545 (100.0)	1505400 (100.0)	86227 (100.0)	27439 (100)	1953165 (100)	139987 (100)	32628 (100)	3241029 (100)	150140 (100)

Source: Compiled from the state profile prepared by MSME Development Institute, Solan, HP

Industry Group-Wise Growth and Structure During Post - Reform Period

During the post-reform period, the number of food and allied units, which was the most dominant group during the pre-reform period, has decreased from 31.4% in 1991 to 26.8% of the total small scale units in 2006. However, this decline was sharper in terms of employment which declined from 28.3% to 17.5% during the same period.

The share of hosiery and textiles units had increased from 11.8% to 13.1% from 1991 to 2006. The contribution of investment in hosiery/textiles group to the total small scale sector had increased from 6.2% in 1991 to 7.6% in 1999 and further to 8.6% in 2006. Its share in the employment increased from 7.7% in 1991 to 7.9% in 1999 and 11.4% in 2006. While the share of wood and wood base products in terms of number of units of, and investment in, the small sector remain more or less stagnant, its contribution to the total employment generated in the sector has actually declined from 12.3% in 1991 to 10.5% in 2006.

The contribution of leather and leather products in the small scale units remained stagnant about 4%, its share in the employment had increased by 1%. Similarly, the share of glass and ceramics in the number of units had remained stationary at 1.9%, yet its contribution to the total investment and employment of small sector had actually declined. The contribution of electronics and electrical items had also increased during the post-reform period.

Significantly, the share of mechanical items in the employment generated in the small scale sector

had increased from 19.4% to 28.3%, with slight increase by 0.3% in its contribution to the number of units and decline in its share to the total investment from 18.4% to 16.7% from 1991 to 2006.

An analysis of the growth performance of different industrial groups indicated that the mechanical items had overtaken the traditional 'food and allied industries' as the major industrial group in employment generation in small scale sector both in the absolute numbers and in percentage terms. However, the food and allied industries is still the largest contributor to the number of units in the small scale sector. The industrial groups, such as textiles along with wood and wood products, also formed an important segment of small scale sector.

The structural shift from traditional items to the mechanical items indicated the diversification of the industrial spectrum of the State on the modern lines.

Growth and Structure of Small Scale Sector After the Implementation of Micro, Small and Medium Enterprises Development Act 2006

The enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, in 2006 had significantly broadened the scope of the small scale sector by including, in its ambit, all non-agricultural enterprises, including medium enterprises, within the stipulated investment limits. Considering the enlarged scope, particularly due to the inclusion of new enterprises in the sector, it was considered appropriate to separately examine the growth of micro, small and medium sector (as it is now called after the enactment of MSMED Act, replacing the

erstwhile generalized nomenclature small scale industries). However, considering the general industrial scene of Himachal Pradesh, where the medium enterprises were rather fewer in number and

the small scale enterprises dominated the industrial spectrum, some comparability with the earlier performance of sector might well be established.

Table : 3 Growth of Micro, Small and Medium Enterprises From 2.10.2006 to 31.10.2010

S.No.	Industry Group	Units	Investment (Rs. In thousand)	Employment
1.	Food & Allied	300 (9.04)	296369 (2.40)	1000 (3.43)
2.	Hosiery	333 (10.05)	917392 (7.46)	2419 (8.28)
3.	Wood & Wood Products	192 (5.79)	27055 (0.22)	566 (1.94)
4.	Paper and Paper Products	123 (3.71)	716944 (5.83)	1126 (3.86)
5.	Leather & Leather Products	44 (1.33)	432872 (3.52)	1234 (4.23)
6.	Glass & Ceramics	88 (2.65)	345560 (2.81)	569 (1.95)
7.	Chemical & Allied Products	564 (17.01)	5590440 (45.46)	9376 (32.13)
8.	Mechanical Items	850 (25.64)	2364808 (19.23)	6598 (22.61)
9.	Electric and Electx.	328 (9.90)	1017002 (8.27)	4820 (16.52)
10.	Miscellaneous & others	493 (14.88)	589050 (4.80)	1473 (5.05)
	Total	3315 (100)	12297492 (100)	29181 (100)

Source: State Industrial Profile prepared by the MSME Development Institute, Solan

An analysis of the performance of Micro, Small & Medium Enterprises for the first three years, from 2.10.2006 to 31.10.2010, after the enactment of MSMED Act 2006 revealed a different story about the growth and structural changes in the sector. Insofar as number of units by a particular industry group was concerned, the 'mechanical products' had registered 850 units, followed by the 'chemical & allied products' and 'Hosiery' with 564 and 333 units respectively. Significantly, the 'food & allied products' group, which had been the dominant group earlier in one respect or the other, had slipped to the fifth place, with 300 units in three years.

As regard the investment made in plant and machinery, the 'chemical and allied products' had become the largest group with an investment of Rs. 55904 thousand in three years' time. It was followed by 'mechanical products' and 'electrical/electronic products'. Similar was the case with the contribution of these industrial groups to the total employment generated in the Micro, Small & Medium Enterprises sector. The 'chemical & allied products' had emerged as the major contributor for generation of

employment, followed by 'mechanical products' and 'electrical/electronic products'

Again, the 'food and allied products' was able to make Rs. 2963 thousand investment in three years and its place as a contributor to the total investment of Micro, Small & Medium Enterprises sector had receded to the eighth position. Further, the 'food and allied products' no longer remained the major generator of employment too. Its share in the total employment generated in the Micro, Small & Medium Enterprises sector had gone down to the seventh place.

It was significant to note that the average annual increase in the number of Micro, Small & Medium Enterprises units from 2.10.2006 to 31.10.2006 was 1105 as compared to about 805 units during 1991-2006 and about 1113 units during 1975-1991.

Thus, the growth and performance of Micro, Small & Medium Enterprises sector as compared to the small scale sector prior to the enactment of MSMED Act, 2006 had exhibited structural changes in the industrial economy of the State of Himachal Pradesh in favour of non-traditional industrial groups.

Table: 4 Comparison between the Growth Performance of Small Scale Sector for Pre and Post Reform Period (In Absolute Terms)

S.No.	Industry Group	1975-91			1991-2006		
		Units	Investment	Employment	Units	Investment	Employment
1.	Food & Allied	5641	381592	21902	2081	587258	1812
2.	Hosiery	2284	91425	6230	1863	272015	10508
3.	Wood & Wood Products	1929	118153	8356	1453	273002	5150
4.	Paper and Paper Products	331	39851	1636	187	81739	974

5.	Leather & Leather Products	711	30253	1911	549	75991	3328
6.	Glass & Ceramics	340	104289	5127	232	175847	-179
7.	Chemical & Allied Products	1095	177759	8370	748	408305	6725
8.	Mechanical Items	2587	269694	15378	1804	526187	25761
9.	Electric and Electx.	590	80572	2874	591	332956	5632
10.	Miscellaneous & others	2309	151762	5228	2575	420602	4202
Total		17817	1445350	77012	12083	3154802	63913

Source: State Industrial Profile prepared by MSME Development Institute, Solan, HP

A comparison between the growth parameters of small scale sector for pre and post reform periods showed decline in the total number of industrial units registered during the 15 years of post-reform period, across all the major industrial groups, except, 'electrical/electronic products' and 'miscellaneous & others' as compared to the total units registered during 16 years of pre-reform period. However, all the industry groups reported increase in the total investment in the post reform period. Insofar as generation of total employment was concerned, Hosiery, Leather & Leather Products, Mechanical Items and Electricals/Electronic Items were able to generate more employment during the post-reform period as compared to the total employment generated by them during the pre-reform period. However, the total employment generated by 'Food & Allied Products', Wood & Wood based Products', 'Paper & Paper Products' and 'Chemical & Chemical Products' during post-reform period was less than that generated by them during pre-reform period.

Taking small scale sector, as a whole, 17817 units were established between 1975 to 1991 in pre-reform era, whereas a total of 12083 units were set up during the post-reform period (1991-2006), indicating thereby a decline of 5734 units in the post-reform period. The total investment had increase from Rs.1445350 in pre-reform period to Rs. 3154802 in the post-reform period. However, the total employment generated was to the tune of 77012 persons in the pre-reform period, which declined to 63913 persons in the post-reform period, indicating, thereby a decrease of 13099 persons.

Thus, the performance during post-reform period in terms of small scale units established and employment generated therein was not quite encouraging as compared to the pre-reform period. There had been increase in total investment in the post-liberalized period, which might partly be attributed to the increase in prices.

Table: 5 Comparison between the Average Annual Growth Performance of Small Scale Sector for Pre and Post Reform Period (In Percentage Terms)

S. No.	Industry Group	1975-91			1991-2006		
		Units	Investment	Employment	Units	Investment	Employment
1.	Food & Allied	34.70%	117.20%	10.13%	2.08%	3.48%	0.50%
2.	Hosiery	101.96%	299.17%	72.10%	5.12%	13.24%	10.55%
3.	Wood & Wood Products	21.64%	88.97%	6.41%	3.90%	8.29%	3.24%
4.	Paper and Paper Products	53.04%	108.29%	-17.46%	3.37%	6.55%	3.59%
5.	Leather & Leather Products	40.03%	139.03	20.31%	4.45%	9.81%	10.29%
6.	Glass & Ceramics	42.50%	116.29%	1.65%	3.97%	4.35%	-0.21%
7.	Chemical & Allied Products	70.55%	188.30%	42.57%	4.18%	8.47%	5.10%
8.	Mechanical Items	49.00%	230.90%	43.65%	4.12%	6.40%	10.27%
9.	Electric and Electx.	55.04%	226.33%	23.89%	6.00%	20.39%	12.10%
10.	Miscellaneous & others	44.96%	197.61%	8.98%	6.53%	11.51%	4.51%
TOTAL		40.82%	150.43%	17.75%	3.92%	7.69%	4.94%

The comparison between the percentage growth of units, investment and employment during pre and post-reform periods revealed that the pre-reform growth of small scale sector was much spectacular as compared to the post-reform period. The average annual growth rate of number of units, investment and employment during the pre-reform period was 40.82%, 150.42% and 17.75% respectively, whereas it was 3.92%, 7.69% and 4.94% respectively during the post-reform period.

The average annual growth rate of units was the highest in 'Hosiery/Textile' group during the sixteen years pre-reform period (1975-91), whereas the 'Wood and Wood Products' recorded a lowest growth rate during the same period. In the post-reform period of fifteen years from 1991 to 2006, the 'Electrical and Electronic products' registered the highest average annual rate in number of units set up in this industrial group, followed by 'Hosiery/Textile'.

As regard the average annual rate of growth of investment, the 'Hosiery/Textile' recorded the highest increase, followed by the 'Mechanical Items' during pre-reform period, whereas the annual growth rate was highest 'Electrical and Electronic products' in the post-reform period. The 'Hosiery/Textile' group again emerged as a leader in average annual rate of growth of employment in the pre-reform period, followed by the 'Mechanical Items', whereas, during the post-reform period, the 'Electrical and Electronic products' took the lead in the average annual rate of growth of employment. The 'Paper & Paper Products' in the pre-reform period and the 'Glass & Ceramics' in the post-reform period registered the negative average annual increment in employment.

Comparison of Important Ratios During Pre and Post-Reform Periods

The per-unit growth of output, employment and investment had been the good measure of

performance of any industrial activity. As such, it would be appropriate to study as to how the different industry groups of the small scale sector have **Investment Per Unit**

performed in the pre and post reform periods in this aspect of growth performance.

Table: 6 Comparison of Investment Per Unit

(Rs. in thousand)

S.No.	Industry Group	1975	1991	2006	Oct 2006-10*
1.	Food & Allied	20.03	60.38	70	987.90
2.	Hosiery	13.64	38.50	65	2754.93
3.	Wood & Wood Products	14.90	50.87	72	140.91
4.	Paper and Paper Products	58.97	113.92	150	5828.81
5.	Leather & Leather Products	12.25	38.46	57	9838.00
6.	Glass & Ceramics	112.10	281.78	292	4139.50
7.	Chemical & Allied Products	60.82	154.08	215	9912.13
8.	Mechanical Items	22.12	94.96	115	2782.13
9.	Electric and Electx.	33.21	126.02	269.28	3100.62
10.	Miscellaneous & others	14.95	59.53	82	1194.83
Total		22.01	73.27	99.33	3709.65

*investment in plant & machinery

The per-unit investment in the small scale sector as a whole has increased from Rs. 22.01 thousand in 1975 to Rs. 73.22 thousand in 1991 and further to Rs. 99.33 thousand in 2006. If considered from the view point of specific industrial-group, the per unit investment increased from Rs. 20.03 thousand in 1975 to Rs. 60.38 thousand in 1991 and further to Rs. 70 thousand in 2006., whereas the per unit investment in 'Glass & Ceramics' was Rs. 112.10 thousand in 1975 to Rs. 281.78 thousand in 1991 to Rs. 292 thousand in 2006.

The 'Glass and Ceramics', 'Paper & Paper Products' and 'Chemical & Allied Products' were top three industrial groups in terms of per unit investment in 1975, whereas 'Glass & Ceramics', 'Chemical & Allied Products' and 'Electricals and Electronics' were top three industrial groups in 1991 and 2006.

However, the post-Micro, Small & Medium Enterprises Development Act period portrayed a very rosy picture in terms of per unit investment in various **Employment Per Unit**

industrial groups. The per unit investment between October, 2006-2010 displayed magnificent increase across all the industrial groups. The largest per unit increase in investment was in the 'leather & leather products' to the tune of Rs. 9838 thousand, followed by 'chemical and allied products' (Rs. 9912.13 thousand) and 'paper and paper products' (Rs.5828.81 thousand). The traditional 'food and allied products' group had been able to enlist per unit investment of Rs. 987.90 thousand only, relegating it to the ninth place. However, it might not be out of place to mention here that the huge increase in per unit investment might, to some extent, be attributed to the enlargement in the scope, both in terms of inclusion of all non-agricultural enterprise and medium enterprise up to the stipulated limits of investment as well as the rise in the investment limits of the sector in the Micro, Small & Medium Enterprises Development Act, 2006.

Table: 7 Comparison of Employment Per Unit

S.No.	Industry Group	1975	1991	2006	2006-2010
1.	Food & Allied	2.46	3.67	3	3.33
2.	Hosiery	2.93	2.74	4	7.26
3.	Wood & Wood Products	4.04	4.27	4	2.95
4.	Paper and Paper Products	4.49	4.89	5	9.15
5.	Leather & Leather Products	2.21	2.62	4	28.04
6.	Glass & Ceramics	13.00	14.81	9	6.47
7.	Chemical & Allied Products	4.38	7.38	8	16.62
8.	Mechanical Items	4.09	5.73	9	7.76
9.	Electric and Electx.	3.43	4.72	7	14.70
10.	Miscellaneous & others	3.05	2.36	2	2.99
Total		3.38	4.20	4.6	8.80

The per unit employment in the small scale sector during the pre-reform period had increased from 3.38 persons per unit in 1975 to 4.20 person per unit in 1991. It further increased slightly to 4.6 persons per unit in 2006 in the post reform period. As such, there was no significant improvement in per unit employment between pre and post reform periods upto 2006. However, the employment had increased significantly to 8.80 persons per unit for the period

between October 2006 and October, 2010, i.e. during post- Micro, Small & Medium Enterprises Development Act period.

As far as particular industry groups are concerned, the 'Glass and Ceramics' had registered 14.81 persons per unit employment in 1991, followed by 7.38 persons per unit in 'Chemical & Allied Products' and 5.73 persons per unit in 'Mechanical Items' during pre-reform period. The 'Leather & Leather

Products' (2.62) and 'Hosiery' (2.74) had recorded the lowest per unit investment in 1991.

During the post-reform period, 'Glass & Ceramics' and 'Mechanical Items' registered an employment of 9 persons per unit in 2006, whereas 'Chemical & Allied Products' and 'Electrical and Electronic Items' recorded an employment of 8 and 7 persons per unit, respectively.

The post- Micro, Small & Medium Enterprises Development Act, 2006 per unit employment in 'Leather & Leather Products' 'Chemical & Allied Products' and 'Electrical and Electronic Items' was 28.09, 16.62 and 14.70 persons per unit as on 31.10.2010 (October 2006-10). At the lowest rung during October 2006-10 were Wood & Wood Products' with 2.95 persons per unit and 'Food & Allied Products' with 3.33 persons per unit.

Conculsion

The pre-reform period, at the initial stage, was dominated by the primary product producing industries. However, it witnessed a shift towards technical and industrialized activities. The structural shift from traditional items to the mechanical items indicated the diversification of the industrial spectrum of the State on the modern lines.

A comparison between the pre (1975-1991) and post reform periods (1991-2006) indicated that while the number of registered units had declined in all the industrial groups, the investment had, in fact, increased in all the groups between these periods. 'Food & Allied Products', Wood & Wood based Products', 'Paper & Paper Products' and 'Chemical & Chemical Products' generated more employment during pre-reform period, whereas Hosiery, Leather & Leather Products, Mechanical Items and Electricals/Electronic Items had been able to generate more employment during post-reform period. Taking small sector as a whole, the number of registered units and employment had declined and the investment has increased in the post-reform period as compared to that in the pre-reform period.

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