INTRODUCTION:

The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three major groups of industries; large-scale industries, small-scale industries and cottage industries. Small scale industries have a strategic role, to play in the economy of the developing countries like India where infra-structure is underdeveloped and the people have less experience about the working of big establishments. Furthermore, in these countries there is a general paucity of investable funds, improved technology and modern machinery and equipment. The small scale industries are best suited to provide job opportunities to millions of people who are unemployed and under employed.

The present study is, therefore, designed to examine the problems and prospects of small-scale and cottage industries in Jhunjhunu district, where large and medium scale industries are completely absent and whose development is vitally linked with various programmes and policies designed to remove poverty, unemployment and backwardness of the rural people.

Small-scale industrial sector plays a dominant role in the economic development of both developed and developing countries. In developing countries cottage and small-scale industries are especially important in context of employment opportunities, equitable distribution
of national income, balanced regional growth and development of rural and semi urban areas.

They provide immediate large scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate effective mobilization of resources of capital and skill which might otherwise remain unutilized.

Small-scale industries play a very vital role even in industrialized and advanced countries like the U.S.A., the U.K., Canada, and West Germany and more particularly in Japan.

This sector is considered to be an engine of growth, especially in a developing country like India due to their contribution to income generation, employment, GDP and export earnings. Small and cottage industries are those industries whose capital is supplied by the proprietor or through means like partnership or from financing agencies setup for this purpose etc. Those industries generally use power driven machines and also employ modern methods of production, engage labour on wage, produce for expanded market. Their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better results.

Small scale industries, including traditional cottage and village industries and modern small enterprises have been given an important place in India’s economic planning for ideological and economic reasons. Our late Prime Minister Mrs. Indira Gandhi once remarked,
“Small scale industries offer many opportunities; besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layers of society”.

Father of our Nation, Mahatma Gandhiji had strongly advocated the development of Indian villages by making them financially viable through small and village industrial units.

The small scale industrial sector has found their economic rationale in Mahalanobis model of economic development, which was the basis for India’s second and subsequent Five Year Plans. This sector has emerged as a vibrant and dynamic sector of Indian economy, which contributes nearly 40 percent of the total industrial production and over 34 percent of the national exports by providing employment to over 250 lakh persons.

This sector enjoys the pride of being second largest employer in the country and offers a wide variety of products. Small and Medium Enterprises (SMEs) are showing their impact on national and regional economies throughout the world. They have been recognized in both developed and developing countries as an effective instrument for creating employment opportunities with a small amount of capital investment.
Meaning of Small Scale Industries:-

In 1995, Government grouped small scale industries into two categories- those using power but employing less than 50 persons and those not using power but employing less than 100 persons. All small scale enterprises had capital investment of Rs. 5 lakh. This limit was revised to Rs.10 lakh in 1975 and Rs. 15 lakh in 1980. In March 1985, the Government has again revised the investment limit of small scale undertakings to Rs. 35 lakh. As per the Industrial Policy Resolution of 1990, the investment limit for small scale industries has been revised to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakh to Rs. 75 lakh.

During 1997, on the recommendation of Abid Hussain committee, the Government has raised the investment limit on plant and machinery for small scale industrial units and ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs. 5 lakh to Rs. 25 lakh.

The investment limit on plant and machinery was reduced from Rs. 3 crore to Rs. 1 crore for small scale units in 2000. However the investment ceiling for tiny industries remained unchanged to Rs. 25 lakh.

According the provision of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006. the micro, small and medium enterprises are classified into two classes- (a) Manufacturing
Enterprises- The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951.

The manufacturing enterprises are defined in terms of investment in plant and machinery. (b) Service Sector- The enterprises engaged in producing or rendering of services and is defined in terms of investment in plant and machinery. The limit for investment in small manufacturing enterprises is more than Rs. 25 lakh but does not exceed Rs. 5 crore and that of service enterprises is more than Rs. 10 lakh but does not exceed Rs. 2 crore.

Traditional small scale industries includes Khadi and Handloom, Handicraft, Village industries, Bamboo based industries, Sericulture and coir etc. Modern small scale industries produce a wide spectrum of goods ranging from comparatively simple items to sophisticated products such as television sets, electronic control system, mixer grinder and various engineering products particularly as ancillaries to the large industries. The traditional small industries are highly labour intensive, while the modern small scale units use highly sophisticated machinery and equipments.

The New Industrial Policy of 1991 announces a number of measures to promote small scale industries. Presently, 836 items have been reserved for exclusive manufacture in the small scale sector. A new scheme of Central Investment Subsidy exclusively for the small sector in
rural and backward areas capable of generating higher employment at lower capital cost would be implemented.

Programmes for modernization and upgradation of technology in the small scale sector to improve their competitive strength will be implemented. A new Apex bank known as Small Industries Development Bank of India (SIDBI) has been established to channelise need based higher flow of credit, both by way of term loan and working capital to the tiny and rural industries. To help the artisans working with Khadi and Village Industries Commission (KVIC) and KVI Board, special Marketing organization at the Centre and State level shall be created.