PROSPECTS OF SMALL SCALE INDUSTRY IN PUNJAB

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ABSTRACT
The economic development of a nation or a region is generally determined by the level of its industrial growth. Punjab which has been doing remarkably well in the field of agriculture also shifted its way towards industrialization through coordinated development of Small, Medium and Large scale industries. Punjab has a predominance of small-scale industry, thanks to the indomitable spirit and entrepreneurial skills of Punjab which is 0.2 million small scale industries and 600 large and medium scale industries functioning in the state involving fixed capital investment of Rs 54000 Million and Rs 20400 Million respectively. In Punjab, small-scale industries was occupying important place, because of their employment potential and contribution to total industrial output. They also helped in the resource utilization and further help to promote changes in a gradual and phased manner. The progressive trend in the industry was badly affected after the state suffered law & order problem due to Militancy / Terrorism in post 90-80 period. Due to the disturbances the industry suffered a setback and most of the industrial units either shifted their activity to other states or close down their units. The revival of the industry was not possible till the law & order improved in the state. Thereafter Government has taken a few steps to promote Small scale industrial production in Punjab by encouraging new units. However, the response to the industrial development was not encouraging since the state was unable to clear the backlog of incentives due to the industrial unit. As per 92 policy The Punjab Government introduced a new policy to promote small scale entrepreneurship, Punjab government’s policy for settlement of dues to help SMEs to recover from high cost debt. Punjab is now improving the Infrastructure for small scale industries by providing them the regular electricity power supply at reasonable rates.

Key words: Capital, Industry, Seed Capital, SSI, Working Capital, Employment generation, FDI

INTRODUCTION
A small scale industry is a project which involves a lesser budget and is run by a small group of people. According to the definition provided by government website (business.gov.in), a SSI is a business setup in which the financial commitment towards investment in plant and machinery does not surpass Rs. 5 Crore. Industries remain an integral component of the State economy, with capabilities in the manufacturing value chain, from R&D and design to marketing and sales. With the emphasis given on the liberalized industrial policy, the Government has given a great deal of importance to the establishment and development of small-scale industries. Even, a number of products have been exclusively reserved for production in the small-scale sector. Small industries are labour intensive with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for the economies where capital is scarce and there is an abundant supply of labour. Around about 1.18 Million people are employed in industrial sector in state. Punjab has always been in the forefront of industrial development in India and has successfully emerged as one of the most investor friendly destinations. Punjab has progressed to become India's premier industrial state and accounts for the good share of investments in India mainly due to the processing of agricultural products for making rapid development the state needs to diversify its products having agriculture and fruits growing states base. The near future promises to have its share of challenges and opportunities for Punjab. Government of Punjab, welcome the industry to tap investment opportunities in the manufacturing and service sectors as well as infrastructure projects in the State of Punjab.

DISTRICT WISE DISTRIBUTION AND TYPES OF INDUSTRIES IN PUNJAB

<table>
<thead>
<tr>
<th>District</th>
<th>District Wise Concentration of Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bathinda</td>
<td>Cotton Ginning and Processing, Pharmaceutical, Flour mills.</td>
</tr>
<tr>
<td>Faridkot</td>
<td>Agricultural Implements, Cottonseed Oil, Rice Bran Oil.</td>
</tr>
<tr>
<td>Fatehgarh</td>
<td>Steel rolling, Pump Parts, Sewing Machine Parts, Track Body Building.</td>
</tr>
<tr>
<td>Ferozepur</td>
<td>Cotton Ginning and Processing, Grey board, Flour Mills, Agricultural Implements, Millboard.</td>
</tr>
<tr>
<td>Hoshiarpur</td>
<td>Resin &amp; Terpenite Oil, Paints &amp; Varnish, Sugar, Agricultural Implements, Pressure Cookers, Paper and Paper Board.</td>
</tr>
<tr>
<td>Moga</td>
<td>Agricultural Implements, Milk Products.</td>
</tr>
<tr>
<td>Muktsar</td>
<td>Cotton Yarn, Rice Bran Oil, Paper.</td>
</tr>
<tr>
<td>Rupnagar</td>
<td>Agricultural Implements, Pharmaceuticals, Tractors &amp; Parts, Electronic Components, Electrical Components.</td>
</tr>
<tr>
<td>Sangrur</td>
<td>Agricultural Implements, Tractor Parts, Cycle Parts, Sewing Machine Parts, Milk Products, Chilled Rolls.</td>
</tr>
<tr>
<td>Shabad Bhat</td>
<td>Light Commercial Vehicles, Pharmaceutical, Yarn, and Sugar.</td>
</tr>
<tr>
<td>Tarn Tarn</td>
<td>Agro Base Industry, Sugar Mill, Spinning Mill, Poultry Farm.</td>
</tr>
</tbody>
</table>

Source: Director of Industries, Punjab

http://www.iaeme.com/IJM/index.asp
Comparison to Other States of India, Punjab has Distinct Advantages for Investment:

1. Dynamic and productive people with over-whelming zest for hard labour.
2. Visionary, responsive and dedicated administrative set-up committed to free enterprise and the state’s development.
3. High purchasing power. Punjab has the higher per capita income in India.
4. Availability of sufficient power and water supply.
5. Conducive and harmonious industrial relations.
6. Good infrastructure including transportation and telecommunication with international linking.
7. Strong agricultural base and adequate development scope of small/medium scale industry.
8. Developed export base.
9. Well developed financial services- banks, financial institutions and stock exchange.
10. Excellent quality of life, perhaps the best in India.

LITERATURE REVIEW

Punjab occupies a place of pride in the industrial map of India which is attributable to its small-scale industrial sector (Lal, 1966). The state inherited a very weak industrial base when partitioned in 1947 and suffered further erosion when it was reorganized in 1966 (Singh 1995). More recently it has been through a period of terrorism and social unrest, which not only affected the industrial growth adversely but tended to cause some out migration of industry. With the restoration of peace, the state government tried to activate the process of industrial development with the hope to enter into a new era of progress (Bhatia, 1999).

Veena Bhatnagar (1995) “The Strongest argument that could be raised in developing countries in the favour of small scale enterprises is their employment generation potential.

Chandra BL (1994) “ The banks with their low cost financing would be ideal for lending to the agriculture sector the small industries small business and the self employed .This would help relive the rural poor from the clutches of the informal and unorganized lending agencies .”

M A Hasnat (1991) “The small scale industries sector occupy a place of importance in economy of all labour surplus as they provide employment for a substantial work force , small industries derive part of their potential value from the employment of trained and educational person”

Kalchetty Erosi (1989) Observed “In a labour abundant capital scare country like India, Small scale industry has come to occupy a significant position in the planned industrialization of economy. They have great social and economic significance .They are relatively labour intensive and often generate more indirect jobs per unit of capital invested than large scale “

OBJECTIVE OF THE STUDY

The objective of the study is to bring forward the various prospects of small scale industry of Punjab and to discuss the various initiatives which are taken by Punjab government so as to improve the present condition of small scale industry in the state of Punjab.

RESEARCH DESIGN

A research design is the "blue print" of the study. The design of a study defines the study type and sub-type, research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions.
METHODS OF DATA COLLECTION

PRIMARY DATA: Are those which are collected a fresh and for the first time and thus happen to be original in character and known as Primary data.

SECONDARY DATA: Are those which have been collected by someone else and which have already been passed through the statistical process are known as Secondary data.

TYPE OF RESEARCH USED

The research will be conducted by means of descriptive research in which main data is taken from the internet and other journals or books. I.e. mainly secondary data will be used. These are already available i.e. they refer to the data which have already been collected and analyzed.

PROSPECTS AND INITIATIVES TAKEN BY GOVERNMENT FOR THE GROWTH OF SMALL SCALE INDUSTRY IN PUNJAB

Small scale industrial production in Punjab crosses Rs 62,971 cr to set up new units:

Punjab has achieved a new milestone in the small scale industrial sector as the Small scale sector has crossed the production of Rs 62,971.24 crore during the financial year 2012-13 registering an increase of Rs 2,971.24 crore over the last year. The record production was achieved due to jump in production in small scale industry which includes eatables, apparels, sports goods, handicrafts, machine tools, auto tools, engineering and electronics products, drugs and spare parts. More than 1 lakh and 70 thousands Small scale industrial units were operating in the state and providing employment to 10,77616 persons. Punjab government has announced various incentives to set up new units worth Rs one crore in new industrial policy, which would further give a big push to this sector.

Prospects of FDI inflows to Punjab

There exist a lot of FDI opportunities in Punjab. The major industries which have a great deal of potential are agro based food processing industry, bio technology & pharmaceutical industry, auto parts industry, textiles industry, light engineering goods, sports goods and tourism industries.

Companies seeking to invest in Punjab & Punjab industrial Policy, 2009

Punjab Govt to bring new policy to promote small scale entrepreneurship

The state government will come up with a new policy under “Make in Punjab” to encourage the local industry thereby providing incentives for its growth. Punjab government is committed to attract setting up of new industries on the one hand and revive the existing units on the other. Aim is to provide congenial atmosphere, liberal policies and online facilities to entrepreneurs for overall progress of Punjab as well as generating job
opportunities for youth. Special Purpose Vehicles (SPV) would be set up in each industrial area. The SPVs will collect taxes from the industrial units and spend it on the development of industrial areas. This unique mechanism will certainly help in eliminating various problems regarding provisioning of basic amenities and other facilities in focal points.

**Punjab govt approves policy for settlement of dues to help SMEs recover**

Punjab Cabinet gave its nod to launch One Time Settlement (OTS) Policy 2015 for settlement of dues of Punjab State Industries Development Corporation (PSIDC), Punjab Financial Corporation (PFC), Punjab Agro Industries Corporation (PAIC) and its subsidiary corporations and companies. Those who opted for previous 2009 policy and became defaulters would also be eligible under the new OTS. Under the policy, in equity investment cases, OTS settlement shall be at “amount invested plus simple interest at the rate of 10 per cent plus expenses less already paid”. In loan cases, OTS amount shall be calculated based on outstanding (principal plus interest) amount to be frozen as on date of default plus 10 per cent simple interest (on frozen amount) up to date of option plus expenses less already paid. In loss assets cases, OTS settlement shall be at outstanding principal amount plus expenses only, besides hundreds of those small scale industrial units, around 70 large and medium scale industrial projects of PSIDC, and around 15 industrial projects of PAIC are likely to be revived and PFC, PSIDC and PAIC were expected to recover to the tune of Rs 50 crore, Rs 200 crore and Rs 25 crore, respectively. Those financial collaborators/borrowers who do not opt for OTS under the policy, their assets would be transferred to an Asset Reconstruction Company (ARC) or a Financial Institution (FI) as deemed appropriate by the government. All the particulars/details of such units not opting for OTS under the policy shall be intimated to RBI for notifying them as defaulters and would not be eligible for further funding by any bank or financial institutions.

**Best Infrastructure in India**

- Infrastructure rating by Centre for Monitoring Indian Economy of Punjab is 191.4 against the national average of 100.
- Highest per capita consumption of power in India -- 806 kWh, About 2 times the national average.
- Excellent network of 1000 Km of National highways, out of which around 200 km of best 6 lane road with grade separation, and 95 km road length per sq km of area is highest in India.
- A big network of State highways and rural link roads making all villages approachable by all weather road.
- Well connected to all parts of India by fast speed trains.
- Connected to New Delhi by 4 pairs of high speed Shatabdi trains(3 hours from Chandigarh. 4 hours from Ludhiana)
- Dense telecommunications network: even small villages have ISD connections.
- Airports at Chandigarh, Amritsar and Ludhiana.
- Cities of Punjab provide best of big and small cities. All facilities of metro available without congestion and pollution, small and well planned residential colonies of Amritsar , Jalandhar, Ludhiana, Mohali and, Patiala can match best in India.
- Inland Container Depots or, Container Freight Station near all major industrial clusters.
- Excellent educational and health facility available all over state.
- Highest number of banks per capita – 15 banks for every 10,000 people.
- Excellent Financial Infrastructure available in Public and Private Sector.

**FINDINGS**

- Punjab which has done remarkably well in the field of agriculture is now well on its way to rapid industrialization through coordinated development of Small, Medium and Large scale industries. Punjab has a predominance of small-scale industry.
In Punjab, small-scale industries occupy an important place, because of their employment potential and contribution to total industrial output.

Government has taken a number of steps to promote Small scale industrial production in Punjab by investing a huge amount to set up new units.

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There exist a lot of investment opportunities in Punjab. The major industries which have a great deal of potential are agro based food processing industry, bio technology & pharmaceutical industry, auto parts industry, textiles industry, light engineering goods, sports goods and tourism industries.

There are a lot of Companies who are seeking to invest in small scale industry in Punjab like Reliance, Tata, Aditya Birla group and many more. The Punjab industrial Policy, 2009 has also played a great role in the further development and advancement of SSI in Punjab.

Punjab government will bring in new policy to promote small scale entrepreneurship. The state government will come up with a new policy under “Make in Punjab” to encourage the local industry thereby providing incentives for its growth. Punjab government is committed to attract setting up of new industries on the one hand and revive the existing units on the other.

Punjab govt has approved OTS policy for settlement of dues to help SMEs recover.

The state of Punjab enjoys best infrastructure in India, which is actually required for the future development of the small scale industry in Punjab.

SUGGESTIONS

Inspite of all the facilities, there are certain constrains in the rapid development of small scale industry in the state. The growth in the SSI sector can be increased provided further steps are taken as under:-

- Large scale units are to be started in the state so that the opportunity for SSI units arises as their ancillary units.
- The agriculture crop pattern of the state to be shifted from the beat and rise to the commercial crops so that the industry based on the agro products can flourish in the state.
- Single window mechanism for the industrial units needs to be set up to attract new entrepreneurs.
- The availability of raw material base to strengthen and for this purpose the dry port to be established.
- The local labour should be encouraged so as to dispense with the migrated labour to increase the employment of the people from the state.
- The holiday period for the new industrial units should be given all the pattern of Himachal Pradesh so as to attract the new industry.
- The modernization of the cycle industry woolen industry and textile industry should be taken by providing the financial assistance to these sectors to revive the sick units.

REFERENCES