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LARGE AND SMALL-SCALE SECTOR



# PEACEFUL CO-EXISTENCE

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**If Government policy coupled with the initiative of the large and ancillary units can frame a workable policy, the capacity utilisation in large units, which is a problem, alone can provide ample avenues for ancillarisation and ipso facto employment.**

THE manner in which the Government have initiated the idea of the small sector is more abrupt than novel. The Government policy has, at least initially triggered of a tirade against large units merely by the slogan "SMALL IS BEAUTIFUL". However, small units by themselves will not, at least in the immediate context, be able to replace the large units except at a colossal loss of resources already invested in the large industries. Moreover in many situations the small units are already playing, quantitatively though, an important role inasmuch as 70 per cent of the production in the soap industry is the domain of the unorganised sector.

What we might do is to increase the proportion of domination in favour of the small sector so that in time to come the combination of the small-sector and large sector produces the desired output at a reasonable cost and acceptable, functional, quality. In this regard, the present state of technology in the unorganised soap industry leaves much to be desired, in respect of the inputs used and output realised by way of joint product. To quote Mr. J. R. D. Tata "... the primitive and largely wasteful processes employed by village industries make it impossible for them not only to recover such a valuable product as glycerine, which is automatically obtained from industrialised production of soap, but also to use the non-edible minor oils which form the major raw material in our own production of soap". Again, Mr. Tata says "... "in a country such as ours where the majority of our population suffers from a deficiency of fat in their diet, it is clear that edible oils should not be diverted to soap manufacture; second, the use of non-edible oils from rice bran and a variety of forests seeds, possible only in modern soap plants itself provides considerable employment the opportunities for which would disappear if soap is produced only in the village sector".

Yet another aspect of the complementarity between the small and the large sectors is Ancillarisation. It is here that the capital intensity of existing large units can be softened by a policy which makes it compulsory for large units to book orders with the ancillary units. The end product of the large units will be the result of the cumulative efforts of many small and even tiny units with the large unit being the apex and the small units a support for the apex. The strides made by large units in this regard cannot be overlooked. Thus in Hindustan Lever in 1977, 32 per cent of its procurement from outside suppliers was through small scale units. In Mahindra and Mahindra by late sixties 55 per cent of the jeep components and 57 per cent of the material content of the tractor are bought out. Philips, for instance, has an active ancillary development programme. As the company policy goes "... it is a good economic proposition to help stimulate and encourage the growth of small scale ancillaries. Buying from them eliminates vertical integration and the spread of manufacturing activity over a wide variety of items, pertaining to various fields in a large organisation with high over-heads and lower flexibility. In Phillips there is a well laid-out policy and long-term plan for farming out to the ancillaries. It is based on fundamental economic necessity of division of labour and skills".

The above, and other, true stories of inter-dependence make a strong case, not for the expansion of the large sector, but for its peaceful continuation in its existing format, provided the large units accept and implement with greater vigour their social responsibility towards the national economic objective of enlarging employment potential of ongoing and future investments.

In fact, if Government policy coupled with the initiative of the large and ancillary units can frame a workable policy, the capacity utilisation in large scale units, which is a problem alone can provide ample avenues for ancillarisation and ipso facto employment.

The DIC has to conduct industrial surveys regarding capacity utilisation, so that resource allocation can favour those ancillaries and small scale units whose output can be used as inputs to feed the idle capacity requiring activation. The acute problem of unemployment becomes clear only if one gets acquainted with the employment scenario of

1983 assuming the present trends continue.

Out of the 29.5 million workers entering the labour force in the next five years, only about 2.7 million will be absorbed in organised industry. The others will drift away into agriculture or informal activity or chronic unemployment". Thus, 27 million jobs in five years means 5.4 million jobs a year, which in turn demands an increase of 14,794 jobs per day. This will keep the new entrants fully occupied, an E1 dorado perhaps for many years to come. However, if we bring the back-log into the picture, we encounter the following situation "Since the rate of growth of the labour force is about 2 per cent a year, labour absorption must increase steadily at the rate of about 3 per cent a year, if new entrants are to be employed and the present backlog of unemployment (about 8 per cent of the labour force in person years) is to be absorbed over a ten year period".

All these portents merely underscore the absolute need to adopt employment oriented policies. The above unemployment scenario speaks for itself. In a country where at least 15,000 jobs have to be created per day, 55,000 babies are born every day and 40 per cent of the population live below the poverty line, the debate between large and small is not of any use. Existing large units in the public and private sectors and existing and emerging small units have to complement their activities to achieve the national objectives with Government policy acting as a catalyst and activist wherever necessary. Another area demanding attention is the nefarious practice of eliminating competition from emerging or existing units. A case may be illustrated. M/s. X Co. Ltd. wanted to make a product which involved utilisation of existing castings. An already operating unit, M/s. Y (say), ensured initially that the leading unit capable of providing casting facilities was not accessible to M/s. X Co. Ltd. However, M/s. X Co. Ltd. manage to find alternative outlets which could provide certain facilities. A lot of time was lost and energy dissipated. But, M/s. X was not left at that. When M/s. X placed the order for machinery, M/s. Y once again contributed to delays and capital cost escalation by playing some game and managing the connivance of the machinery manufacturer. But, the determination of M/s. X enabled it to wade through this hurdle too. Now, M/s. X was in a position to commission the plant and start production. M/s. X was asked to cater to some trial orders by a large unit — M/s. Z. However, M/s. Y managed to get in touch with the quality control section of M/s. Z and spoilt the reputation of M/s. X in manifold ways. Fortunately, M/s. X was not totally dependent upon M/s. Z. M/s. X diverted to some other market. But the case drives home the point. This kind of unethical warfare and nefarious mode of operation is noxious to the efficient functioning of any system. It has to be condemned. If large scale units are trying to weaken the small units by the negative methods adopted by M/s. X, the Government should take a very serious view of this transaction as a prima facie lapse in and lack

of commitment towards the national economic goals. Very often, the large units may not themselves be directly involved. However, they may choose an appropriate agent to play the desired role of spreading internecine quarrels and dissensions. This may, in fact often it does, lead to inter-unit rivalry within the small sector. While the units donating the quarrel are successful in their attempt, the final price is paid by poor and innocent people who can ill-afford this game which is within the domain of political economy. Thus, the Government through the DIC has a two-fold task :

- (a) if large scale units are involved the same should be brought to public notice and punitive action on the involved large unit should not be hesitated; and
- (b) if small units are involved in inter-unit warfare, the DIC should evolve a code of conduct and ensure adherence to the laid code. Unless an approach of the above order is initiated, internal dissensions and internecine quarrels can sow the seeds of self-destruction and even extinction. Hence, it should be a part of the proposed role of the DIC to pay due attention to this issue.

Thus, shorn of the abuses and malpractices which may have disfigured the working of the large-scale units in the past, the effectiveness and adequacy of Government policy in this regard, will depend not on the promptitude and thoroughness with which the evils that cling to the large scale industries are eliminated, but the energy, enthusiasm and enterprise with which the springs of organised industry are tapped and exploited to further the interests of the small units. The ancillary development programmes should therefore have the utmost priority, to put into action with renewed vigour a development process which will permit the economy to walk and run with two legs — organised industry near urban metropolitan and the unorganised units in the rural sector — district, village, industrial estate and farm/houseyard level. And not only the advantages of economic liaison but also so the link between the large and small units will provide social integration and urban-rural cross materialisation. This will help the large and small sectors to achieve unity of the opposites within the diversity. These two sectors will operate in juxta-position and complement and supplement each others activities instead of competing with and supplanting each others programmes. If the country can continue to be blessed by a fruitful co-existence of these two sectors, the small sector will, in time to come, have an enviable and due role in the national economy a la Chinese small sector in the economy of China where 60 per cent of the fertilisers and cement and 30 per cent of the hydro-electric power is contributed by the small sector operating at the country, commune and brigade levels.

