

Industrialization in Punjab (A Case of Small and Medium Enterprises)

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ABSTRACT

The small and medium scale industries play a significant role in boosting the overall economic growth of an economy. The Small and Medium scale industry is the largest sector of economic activity in India. There is growing realization about potential contribution of small and medium industries in the countries. The small and medium scale industry is rightly considered to be the backbone of any developing economy. In the present era, it is being realized that small and medium enterprises contribute to industrial development of the country in several ways viz., assembling and harnessing the various inputs, bearing the risks, innovating and initiating techniques of production to reduce the cost and increase its quality and quantity, expanding the horizons of the market and co-ordinating and managing the manufacturing units at various levels. Punjab's small-scale industries constitute a crucial segment of our industrial economy. Protection provided to these industries should not create a dependency. Punjab government policies have to be framed in a way to allow small units to grow into medium and bigger units. Small-scale sector is a vital segment of our economy as it has contributed half of our industrial output and one-fourth of our exports. In this paper the Growth and Performance of Small and Medium Scale Industries in Punjab, Industrial Units in Punjab, Production of Industrial Units in Punjab, Profile of Small and Medium Scale Industries in Punjab, Incentives to Industrial Units, Industrial Focal Points in Punjab and key issues related to Small and Medium scale have been examined. Being the dominant sector the improvement or changes, which have been reflected by this sector in the national output, signify that Small and Medium Scale industry is the backbone of any developing economy, highlight the various ways and means by which this sector has contributed to the country like other developing economies (like China, Pakistan, Srilanka, Malaysia and many other South Asian countries).

Introduction

The small and medium scale industries play a significant role in boosting the overall economic growth of an economy. The small and medium scale industries set-up by the entrepreneurs in different states and Union Territories of India have contributed to the increased shares in the overall production, fixed

investment, exports, employment and capacity utilization of SME's Units etc. The importance of SME's sector in providing large scale employment is of paramount importance. The policy framework right from the First Plan has highlighted the need for the development of SME's sector keeping in view its strategic importance in the overall economic development

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of India. In this section, the overall performance of SME's sector has been examined in depth on the basis of the different parameters such as production, investment, capacity utilization and exports, etc.

Industrialization is the central dynamic force for most of the countries. It has been a key growth objective of India's planned economy, with heavy investments being made in this sector. Labour productivity is highest in manufacturing industries; which has assisted in raising national income at a faster pace. It is a precondition for Small and Medium Scale industry development and it induces development of other sectors (Tiwary and Singh, 1990). The importance of industrialization in economic development is crucial for a growing economy with a large population like India. So prosperity through industrialization has been a long-term strategy for the Indian government. Various communities, businesses, and governments have debated the results of industrialization, a debate that has continued to grow unabated. Being reliant on small and medium scale and having a large population base, industrialization is roughly a synonym for economic development as a means to conquer poverty and provide employment.

Growth and Performance of Small and Medium Scale Industries in Punjab

Industry-wise, Punjab is one of the leading states of the country. Its average growth rate of 10% is amongst the highest in the country, clearly reflecting the progressive economy of the state. Punjab also boasts of a 58% literacy rate and the highest per capita income in India. Today's Punjab has become a land of boundless opportunities, offering distinct advantages for investment and industry.

Since the recent liberalization of India's economy, Punjab has started making its mark on the global business mainstream, with major players from around the world forming joint ventures in the field of agro-business. Wheat and cotton are the principal crops. Other crops grown

include rice, sugar cane, millet, corn (maize), oilseeds, pulses, fruits, and vegetables. Livestock and poultry are also raised in large numbers. Punjab is one of the most industrialized states in India. Its manufacturing industries produce textiles, machinery, electrical appliances, surgical instruments, metals, bicycles and rickshaws, floor coverings, and processed foods.

Today Punjab has over 1.97 lakhs of small and medium industries and about 653 large scale industries. It leads in the manufacturing of machine and hand tools; printing and paper cutting machinery; auto parts and electrical switch gear. The state also provides more than 75% of the country's requirement for bicycles, sewing machines, hosiery and sports goods, at par with the highest quality standards in the world. These products have carved a niche for themselves in markets across the globe.

Privileged by nature and the dynamism of its people, Punjab is a land of rivers, fertile soils and steady achievement. With its inimitable style of transforming every potential opportunity into a success story, the state was the first to translate agricultural technology into the "green revolution", recording highest growth rate in food production. From a minor producer it emerged a major rice surplus state. Providing the impetus for the "White revolution", during Operation Flood, it was Punjab that recorded the highest per capita availability of milk.

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Industrial Units in Punjab

Table-1 indicates that registered working factories in Punjab which increased from 4501 in 1970 to 13382 in 1999. The average number of workers employed also increased from 116806 in 1970 to 446953 in 1999. The workers per lac

TABLE I

Registered Working Factories and Workers Employed in Punjab

Year/District	Under Section 85				Registered working factories	Average number of workers employed	Workers Per lakh of Population
	Under Section 2m (i & ii)	With Power	Without Power	Total Number			
1970	3920	852	—	4772	4501	116806	862
1980	5606	1676	—	7282	7053	201735	1206
1990	9153	2477	—	11630	11396	367513	1770
1997	10347	2673	—	13020	12704	441357	1912
1998	10747	2846	—	13593	13254	449059	1909
1999	10951	2773	—	13724	13382	446953	1865
District 1999							
Gurdaspur	448	247	—	695	671	11201	560
Amritsar	1406	297	—	1703	1606	39610	1407
Kapurthala	324	78	—	402	391	14930	1981
Jalandhar	1530	240	—	1770	1729	44113	2330
Nawanshahar	15	61	—	76	75	1734	281
Hoshiarpur	260	214	—	474	471	17904	1209
Rupnagar	381	110	—	491	482	33931	3057
Ludhiana	3799	420	—	4219	4151	154744	4859
Ferozepur	356	202	—	558	544	14390	816
Faridkot	300	102	—	402	392	10745	1989
Muktsar	124	83	—	207	199	6230	811
Moga	115	93	—	208	207	4356	490
Bathinda	275	179	—	454	449	14098	1217
Mansa	140	101	—	241	239	5851	886
Sangrur	629	188	—	817	789	28774	1442
Patiala	485	134	—	619	604	28792	1595
Fatehgarh Sahib	364	24	—	388	374	15522	2934

Source: Labour Commissioner, Punjab, 2000.

of population who were 862 in 1970 increased to 1865 in 1999. District-wise number of industrial units in Punjab was maximum in Ludhiana, i.e., 4151, in Jalandhar 1729 and 1606 in Amritsar. The Malwa region of Punjab comprising districts of Patiala, Sangrur, Mansa, Bathinda had the lowest concentration of Industries. The average number of workers employed in Ludhiana were 154744, in Jalandhar 44113 and in Amritsar it was 39610.

Production of Industrial Units in Punjab

Table-2 indicates that Bicycle production increased from 4349000 units in 1993-94 to 5814000 units in 1998-99. The sugar production, which was 283000 Metric Tons in 1993-94, increased to 457000 Metric Tons in 1998-99. The production of Woollen Hosiery was 8116000 units in 1993-94 increased to 9762000 units in 1998-99. The Desi Ghee production, which was 1200000 Metric Tons in 1993-94, was 300000 Metric Tons in 1998-99.

TABLE-2

Production of Selected Industrial Items from the Registered Working Factories (Factories Act, 1948) in Punjab

Items	Unit	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Baby Food	Tonne	35	35	36	35	36	39
Desi Ghee	Tonne	12	14	23	28	27	30
Milk Powder	Tonne	24	24	31	32	38	39
Milk (all kinds)	Litre	121	157	193	214	237	249
Instant Coffee	Kg.	2913	3890	3711	4120	3048	3194
Rice (all kinds)	Tonne	1769	1684	1786	1990	1975	2043
Biscuit	Tonne	19	18	20	30	42	50
Sugar	Tonne	283	297	314	436	392	457
Vanaspati Ghee	Tonne	137	128	134	134	154	163
Mustard/Rape seed oil	Tonne	55	55	64	68	85	102
Cattle Feed	Tonne	147	159	146	146	139	149
Malted Food	Tonne	19	23	43	38	41	34
Country Wine	Litre	17657	20067	21091	21838	21242	20035
Indian made foreign liquor	Litre	16257	16097	16137	18460	1859	16601
Beer	Litre	15365	14539	13327	14336	15344	18457
Ginned & Pressed Kapas	Tonne	166	162	161	123	93	89
Cotton Yarn	Kg.	107718	120343	112642	112300	111166	94502
Woollen Yarn	Kg.	7191	7294	7460	9805	13286	11305
Cotton Cloth	Meter	24258	20553	21077	24675	23727	21653
Woollen Hosiery	No.	8116	7997	7974	7248	8438	9762

Urea 'N' content	Tonne	863	906	904	732	973	892
Calcium Ammonium Nitrate Content	Tonne	270	210	190	131	176	222
Cycle/Rickshaw Types	No.	83406	85392	86633	97652	102942	104610
Cycle Tubes	No.	79849	73653	78095	88844	100962	106020
Bars and Rods	Tonne	658	711	759	815	836	856
Ingot (all kinds)	Tonne	454	602	487	618	638	541
Angle, Channel and Sections	Tonne	329	346	346(R)	346(R)	118	89
Bellets and Slabs	Tonne	100	49	172	172	173	215
Joints and Rolls	Tonne	91	98	113	113	116	66
C.G. Pipe and Fillings	Tonne						
Bolts and Nuts	Tonne	23	25	26	22	27(R)	27(R)
Forgings	Tonne	23	33	45	41	41(R)	42
Complete Tractors	Tonne	24	24	27	34	41	48
Cables (all kinds)	No.	12	15	14	13	12	12
T V Set (Colour)	K.M.	29	30	33	33	26	27
Picture Tubes (Colour)	No.	545	617	829	991	695	520
Chasis for Matador	No.	3	4	5	4	3	3
Mopeds	No.	31	37	32	36	34	32
Bicycle (all kinds)	No.	4349	4680	4739	4951	5034	5814
Handles	No.	16266	17325	16985	17306	17842	17853
Footballs	No.	11299	24597	33295	18939	17560	17277

Source : Economic and Statistical Organisation, Punjab, 2000.

Selected Information Relating to Registered Working Factories in Punjab

The total number of factories, which were 4084 in 1970-71, increased to 7028 in 1998-99. The fixed capital employed by these units, which was Rs.26,693 lacs in 1970-71 increased to Rs.7,28,387 lacs in 1998-99. The working capital which was Rs.7,000 lacs in 1970-71 increased to Rs.3,84,668 lacs in 1998-99. The total output of these units which was Rs.44,185 lacs in 1970-71 increased to Rs.27,64,205 lacs in 1998-99. The total number of employees, which was 139084 in 1970-71, increased to 319002 in

1998-99. The net value of these units increased from Rs.7,304 lacs in 1970-71 to Rs.4,27,184 lacs in 1998-99.

Profile of Small and Medium Scale Industries in Punjab

Table-3 explains the overall profile of small scale industries in Punjab. The total number of units, which were 43338 in 1980-81, increased to 197344 in 1998-99. The fixed capital increased from Rs.332.12 crore in 1980-81 to Rs.3360.67 crores in 1998-99. The total number of employees, which were 264869 in 1980-81 also, witness an increase to 864592 in 1998-99.

TABLE-3
Selected Information Relating to Workings Small Scale Industries in Punjab

Distt./Year	No. of Units	Fixed Capital (Crores Rs.)	No. of Employees	Production (Crores Rs.)
1980-81	43338	332.12	264869	111844.00
1990-91	160368	1348.78	668845	404982.00
1997-98	195383	2859.99	840568	13057.74
1998-99	197344	3360.67	864592	14444.48
District : 1998-99				
Gurdaspur	11471	131.91	53358	589.35
Amritsar	27027	450.44	112065	1817.95
Kapurthala	7734	71.90	24809	305.39
Jalandhar	27545	376.63	141043	1804.61
Nawanshahar	3914	24.86	10192	55.08
Hoshiarpur	9084	94.93	28683	168.51
Rupnagar	8659	166.96	28034	376.36
Ludhiana	41852	868.28	262050	4712.58
Ferozepur	6902	180.43	27142	471.50
Faridkot	2482	47.74	11155	164.95
Muktsar	4004	66.21	16631	172.63
Moga	4612	66.80	16404	231.81
Bathinda	6225	107.34	18364	380.81
Mansa	2719	37.04	8543	273.67
Sangrur	16842	203.67	45044	732.43
Patiala	12441	328.40	43421	1135.11
Fatehgarh Sahib	3831	137.13	17654	1051.74

Source : Director of Industries, Punjab, 2000.

The production of SME's sector, which was Rs.111844 crores in 1980-81, increased to Rs.1444.48 crores in 1998-99. The maximum number of SME's units were in Ludhiana which were 41852 and production was Rs.4712.58 crores in 1998-99. The fixed capital was

Rs.868.28 crores for the units located in Ludhiana in 1998-99.

Incentives to Industrial Units

Table-4 indicates that the capital subsidy incentive, which was Rs.2544.01 lacs in 1997-98

Table-4

Incentives to the Large and Small Scale Industrial Units under Various State Government Industrial Policies of 1978, 1987, 1989, 1992, 1996

(Rs. Lakhs)

Name of the Incentive	1997-98		1998-99		1999-200	
	Amount	Unit	Amount	Unit	Amount	Unit
Capital Subsidy	2544.01	390	1052.84	193	1320.92	180
Interest Free Loan	293.18	103	95.44	23	122.45	26
Refund of Octroi	32.24	21	5.92	8	6.63	2
Land Subsidy	1.52	6	0.55	5	—	—
Generating Set Subsidy (only to selective Agro-based units)	—	—	0.32	1	—	—
Total	2870.95	520	1155.07	230	1450.00	208

Source : Director of Industries, Punjab, 2000.

granted to 390 units, was Rs.1320.92 lacs in 1999-2000 granted to 180 units. The interest free loan amount granted to 103 units 1997-98 was Rs.293.18 lacs and Rs.122.45 lacs in 1999-2000 to only 26 units. The land subsidy which was Rs.1.52 lacs granted to 6 units in 1997-98 was Rs.0.55 lacs granted to 5 units in 1998-99 and no land subsidy was granted during 1999-2000. The return of Octroi which was Rs.32.24 lacs granted to 21 units in 1997-98 decreased to Rs.5.92 lacs being granted to 8 units in 1998-99 and it was Rs.6.63 lacs during 1999-2000 granted to only 2 units.

Industrial Focal Points in Punjab

Table-5 indicates that out of 1945 developed industries, 1905 plots were allotted at Dhandari Kalan in Ludhiana. Out of 1271 developed industries, 1033 plots were allotted in SAS Nagar. The area acquired under Jalandhar complex was 600.78 acres. Out of 1176 developed plots, 1152 were allotted to industries. In Bathinda to boost industrial units, out of 560 plots, 457 plots were allotted to industrial units. In Patiala out of 664 plots, 634 plots were allotted to various industrial units. The area

TABLE-5

Area and Plots in Industrial Focal Points in Punjab up to 30.7.2000

Focal Points	Area Acquired (Acres)	Developed (No.1)	Allotted (No.2)	Vacant (No.3)
Dhandari Kalan	1226.27	1945	1905	40
S.A.S. Nagar	1161.37	1271	1033	238
Rajpura	4.44	25	25	—
Hoshiarpur	82.40	93	88	5

Batala	103.85	139	130	9
Tarn Taran	51.35	112	110	2
Nawanshahar	50.55	110	103	7
Khanna	102.40	133	133	—
Nabha	52.52	104	95	9
Moga	108.28	209	206	3
Kotkapura	53.35	113	110	3
Sangrur	58.65	129	120	9
Bathinda (Old and New)	475.38	560	457	103
Jalandhar Sports Complex	—	—	—	—
Jalandhar Focal Point	600.78	1176	1152	24
Amritsar	175.78	395	392	3
Dera Bassi	135.63	189	189	—
alon	128.12	335	297	38
Patiala	186.80	664	634	30
Mandi Gobindgarh	209.62	389	325	64
Pathankot	413.56	432	198	234
Nangal	49.49	53	48	5
Goindwal Sahib	909.84	446	358	88
Tanda	50.50	238	67	171
Muktsar	60.66	166	14	152
Abohar	102.32	237	9	228
Total	6553.91	9663	7198	1465

Source: Government of Punjab, Small Industry & Export Corporation Limited, 2000.

required for the development of industrial areas was 6553.91 acres under which 9663 plots were developed and 7198 plots were allotted. The number of vacant plots was 1465 as on 30.7.2000.

Conclusion

Industrialization plays a vital and crucial role in the economic development of a country. It is simply because no economic development is possible unless the economy has a wide and strong

industrial base. Industrialization in under-developed economy acts as an instrument both for creating capacity to absorb excess labour power and of catering to the diversification of the market required at higher stages of economic development.

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gear. The state also provides more than 75% of the country's requirement for bicycles, sewing machines, hosiery and sports goods. At par with the highest quality standards in the world, these products have carved a niche for themselves in markets across the globe.

The total number of factories, which were 4084 in 1970-71, increased to 7028 in 1998-99. The fixed capital employed by these units, which was Rs.26,693 lacs in 1970-71 increased to Rs.728387 lacs in 1998-99. The working capital which was Rs.7000 lacs in 1970-71 increased to Rs.384668 lacs in 1998-99.

Out of 1271 developed industries, 1033 plots were allotted in SAS Nagar. The area acquired under Jalandhar complex was 600.78 acres. Out of 1176 developed plots, 1152 were allotted to industries.

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