

the major agricultural states in India: it was the highest in Andhra Pradesh (82.0 percent), followed by Tamil Nadu (74.5 percent) and Punjab (65.4 percent). The average outstanding loan per farmer household was the highest in Punjab, followed by Kerala, Haryana, Andhra Pradesh and Tamil Nadu. In West Bengal, roughly 50 percent of the farming households were indebted and 55 percent of them were cultivators in 2003. The marginal farmers with land size between 0.01 and 0.40 hectare suffered from the highest level of incidence of indebtedness followed by those with landholdings lying between 0.4 and 1 hectare. The incidence of indebtedness declined with the rise in landholding size. The degree of indebtedness was very low for land-poor households with land size less than 0.01 hectare simply because they had limited access to credit.

Agriculture in West Bengal has been predominated by food grains, mainly rice. The higher share of food grains area in total cropped area in the state is largely accounted for by the larger share of marginal farmers in operational holdings. The marginal farmers normally allocate a major part of their holdings for the production of food crops to meet their own consumption needs. However, a marked diversification of cropping pattern away from food grains has occurred since the early 1990s. The changes in cropping pattern in West Bengal has been associated with the changes in the forms of tenancy and the distribution pattern of agricultural credit by sources across different holding classes. As the marginal farmers have little access to institutional credit as mentioned above, they can hardly bear the higher cost and also risk associated in cultivation of non-food

value added crops. Thus the changes in cropping pattern in favour of non-food crops are propelled mainly by the medium and rich farmers.

Small is Big

Stuti Oberoi

World over, small and medium enterprises (SME) have been recognized as oil for the machinery of economy. The existence of millions of such companies together creates a force to reckon with. Large and super large companies take the limelight due to their size, money flow, influential strength, etc. But it is being argued that in the present scenario of collapsing industries, the role of small businesses is very significant.

Countries like USA and UK already have an established administration for small businesses. However countries like Japan and India have the real potential. With the technological revolution, knowledge and skill intensive industrialization is replacing material and energy intensive industrial development. But presently, if we compare the growth of SME in India with other countries in South East Asia, we lag far behind.

Policy makers have been tapping the employment potential of SME as the primary advantage. The development of small enterprises is being considered as a safety net, which eases the government's burden of creating employment opportunity of a massive scale. Some extremists also advocate total liberalization and deregulation of small

enterprise economy based on economic concepts like competitiveness and incentives. Others advocate the conventional role of the state, where SME development is largely considered as part of the welfare activities of the state.

SMEs lead to entrepreneurial development and diversification of the industrial sector. More employment opportunities are generated and the capital cost per employee is low. The government has also become more favorable to this sector and is trying to give it a boost through infrastructure development, entrepreneurship development, technology up gradation, etc. Sectors like textiles, IT, biotech, footwear, etc have shown immense potential. SMEs are being aimed to give a boost to the growth and employment of developing countries based on the assumption that there are benefits for the country as a whole from having a strong SME sector. It is being seen as a target aid for the poor in order to uplift them.

As of now, there are some major hurdles that are not allowing this sector to flourish. The first hurdle is that the credit availability for this sector is very low. The amount of bank credit available to this sector is very less because SMEs comprise of a majority of the unorganized sector. Even though SMEs fall in the category of priority lending, the focus gets shifted to other fast growing and safer areas such as home loans, etc. Arranging collateral security also becomes a major issue. Inevitably, these small units fall into the vicious cycle of debt and poverty. Hence, banks should be encouraged to give loans up to a certain amount, free of collateral and at a low interest rate to these SMEs. Also, microfinance agencies can also

prove to be of help, if regulated properly.

The second hurdle comes out to be the lack of technological knowledge. Most of the household units still work on obsolete technology because of which the cost of production remains high and the product fails to meet the quality standards of the market. To add to that, liberalization has led to a stiff competition for them from imports. Human resource is available in abundance in India but its proper utilization is possible only through proper technological upgradation especially in the sector of SMEs. There is also a need for professionals to work with these small units to gain mutual benefits and to help revive the sector and make it internationally competitive.

Another major hurdle is that these small units do not have a proper market available to them. They do not have money for market research and hence there is imperfect information available to them. Due to this, they are taken advantage of and are exploited by other middlemen. Also, the consumers are unaware of the presence of these products produced by these small units. So the government should promote these industries and create awareness of these products through innovative marketing. This would also attract a lot of investors and helping agents such as suppliers, large companies, etc. Self-help groups (SHGs) should also be encouraged to strengthen this sector.

The situation of our economy is very gloomy at present and hence, the development of small and medium industries seems like a ray of hope in this desperate situation.