



NATURAL RESOURCE AND SMALL SCALE INDUSTRY A CASE STUDY OF FOREST AND WOOD BASED INDUSTRY IN MAYURBHANJ DISTRICT

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Abstract

Forest is an important sector of the economy. Not only it is a source of living for a large number of people, whose life is inextricably mixed up with forests, but also it provides a sound base for a number of industries. Forest based industries are as old as forests. It has been empirically established that level of per capita income is positively correlated with the degree of industrialization. The wide gap between developed and less developed countries is reflected in the glaring disparities in their industrial progress. While the developed countries are largely industrial, the under developed ones are primarily agricultural. Most of the less developed countries are characterized by low degree of industrialization. Thus it is aptly said that, economic development is conditioned by the pace of industrialization and the latter is the prime condition for the former. It is said that the poor of the world cannot be helped by mass production, only by production by the masses. The system of mass production is based on sophisticated, highly capital intensive, high energy-input dependent and human labour saving technology. In a tribal dominated district like Mayurbhanj, set up of Forest and Wood based small scale industries is a success in its own.

Keywords- *labour intensive, compound annual growth rate, small enterprise, self development, JEL classification codes- L65, L66, L67, L73, L78*

Introduction

The term ‘small scale industries’ itself implies a mini world in its own; a world bearing a lot of expectations, a way to livelihood of lakhs of people. Here small does not mean a particular size, rather it is the way of lakh of people to have their two times meal a day. Time has seen a lot of change in its periphery and so also the economy. With the passage of time, the term ‘small’ has been modified and now it is called MSME (Micro Small and Medium Enterprises).

There is a statement that if you want to develop a country, then first start with the development of the rural area or rural industries. The small scale industries normally generate from the rural area and after that it spreads its branches to urban area. Once, the rural industries get developed, it will attract the attention of the urban industries like a magnet attracts an iron.

The present article under discussion brings into limelight the small scale industries in Mayurbhanj district of Odisha. Mayurbhanj, a tribal dominated district is full of natural resources which is a suitable place for the entrepreneur to start up an industry. Even the natural habitat of this district along with the migrated habitat like to start up industry based on its natural resources. The small scale industries has some characteristics such as

- The business is organised by individuals in the private sector.
- The use of family labour and locally available talent is made.
- Simple equipments are used.
- Capital investment is small, generally restricted to one crore.



- The use of indigenous technology.
- Businesses can be classified on the basis of size into small, medium and large scale businesses.
- Small business has its own problems and they need some special help from Government to survive in the market.

One can define the small scale industries in the following way While defining small industries, one can use many parameters like number of employees in the organization, volume of output produced, capital investment in fixed assets etc.

- All these parameters have their own limitations. Which parameter should be used depends on the needed?
- Indian government defines small scale industry on the basis of investment in plant and machinery.
- Moreover, Government has defined only small and tiny units and no definition has been given for medium and large scale enterprises.
- A unit which is not tiny or small can be medium or large scale unit.

Objectives

- To analyse the growth of Forest and Wood based industries in the Mayurbhanj district of Orissa.
- To analyse the problems faced by the entrepreneur of Forest and Wood based industries.
- To analyse the growth of investment in Forest and Wood based industries.

Review of Literature

Abid Hussain Committee (1997) Report on small enterprises has examined and suggested institutional arrangements, policies and programmes for meeting long term and short term requirements of the Small Scale Industries. The Committee found that the reservation policy of specific products for exclusive manufacture by Small Scale Industries had not served much purpose as most industrialization had occurred in items not reserved for Small Scale Industries. Moreover, it had resulted in low efficiency and productivity and had restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to Small Scale Industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.

Mali (1998) in his study has observed that Small and Medium Enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization. They have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up-gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.



Ramayah Thurasamy et.al (2009) in their interesting paper present the research agenda that has been proposed to develop an integrated model to explain technology adoption of SMEs in Malaysia. SMEs form over 90 per cent of all business entities in Malaysia and they have been contributing to the development of the nation. Technology adoption has been a major issue among SMEs as they require big outlay which might not be available to the SMEs. Although resource has been an issue among SMEs they cannot lie low and ignore the technological advancements that are taking place at a rapid pace. With that in mind their paper proposes a model to explain the technology adoption issue among SMEs.

Methodology

More precisely, research methods help us get a solution to a problem. The study of research methods gives training to apply them to a problem. The study of research methodology provides us the necessary training in choosing methods, materials, scientific tools and training in techniques relevant for the problem chosen.

In the present article both primary and secondary data are collected. Primary data are collected from different Forest and Wood based industries located in different blocks and the secondary data are collected from the district Statistical Office and District Industries Centre, Mayurbhanj. The analysis period is covered prior to New Industrial Policy 1991 period i.e. from 1980-81 to 2014-15.

Analysis of the Study

1.1 Growth of Forest and Wood industries

Forest is an important sector of the economy. Not only it is a source of living for a large number of people, whose life is inextricably mixed up with forests, but also it provides a sound base for a number of industries. Forest based industries are as old as forests. With development of economy, the process of mechanization of the industry has started. With a number of small handmade tools, the Forest and Wood industries can be worked. Raw materials for such industries are available in plenty in the State. Skill also does not pose a problem in such industries.

Major forest products of the state are timber and wood and minor products of the forest are bamboo, kendu leaves, sal seeds, mahua flower, myrobolan, char seeds, tamarind, honey and wax, tassar, simul cotton, etc. Forest and Wood industry is however, not properly organized despite of availability of such raw material. It is found from the records that till March, 2014, 1797 units are established for producing forest based products. It constitutes about 20.02 per cent of the total units in the small scale sector. Most of these units are, however, either manufactures of furniture or are saw mills and only a negligible number of units are engaged in manufacture of bidi, kendu leaf product and ropes made from a particular kind of grass. The saw dust generated in the saw mills is mostly wasted and no industrial units have been established in the district which can use these products to produce briquettes. With respect to number as well as production, this industry occupies an insignificant position in the Small Scale Industrial sector of the district.

The Forest and Wood industries comprise of the following items,

1. Wooden furniture
2. Sal leaf cup and plate
3. Wooden toys
4. Bidi



5. Ply wood furniture
6. Sabai products
7. Honey processing

Table 5.1 The growth of number of Forest and Wood based industries in different time period

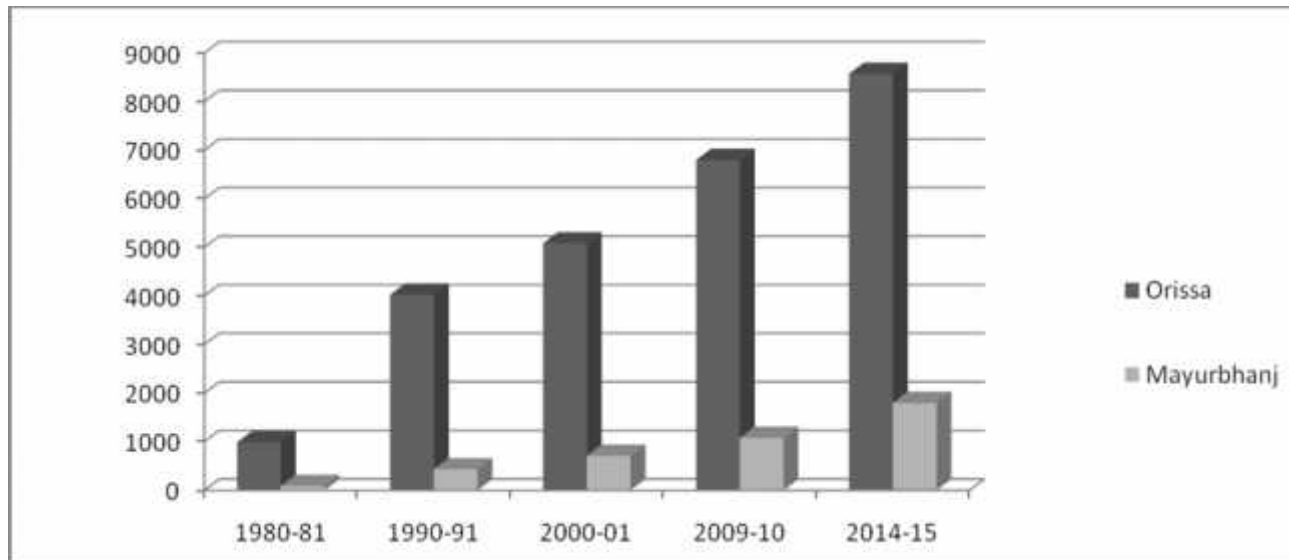
Year	Mayurbhanj	Odisha	Mayurbhanj as percentage of Odisha	Compound annual growth rate in Mayurbhanj	Compound annual growth rate in Odisha
1980-81	88	988	9	-	-
1990-91	434	4023	11	17.3	15
2000-01	711	5083	14	5.1	2.3
2009-10	1077	6799	16	4.2	2.9
2014-15	1797	8574	21	5.2	4.7

Source-District Industries Centre, Mayurbhanj

Calculated by scholar

It is found from Table 5.1 that during 1980-81, the number of Forest and Wood industries in Odisha was 988 and it was 88 in Mayurbhanj. From 1980-81 to 2014-15, the number increased to 8574 in Odisha and 1797 in Mayurbhanj. The compound annual growth in Odisha is has seen a declining trend from 15 per cent to 2.3 per cent and then it increased to 2.9 per cent in 2009-10 and in the year 2014-15, the compound annual growth rate again increased to 4.7 per cent. Considering Mayurbhanj, the compound annual growth rate was 17.3 per cent in 1990-91 and it started declining up to the year 2009-10 and after that it increased to 5.2 per cent.

Figure 5.1 Growth of Number of Forest and Wood Industries



The figure 5.1 clearly exhibits the growth of number of Forest and Wood based industries in Mayurbhanj compared to Odisha in different time periods.



1.2 Growth of Investment of Forest and Wood industries

Mere increase in the number of one industry over different time period is not enough, rather it should be accompanied by increase in the investment.

Table 5.2 Growth of investment of Forest and Wood industry in different time period

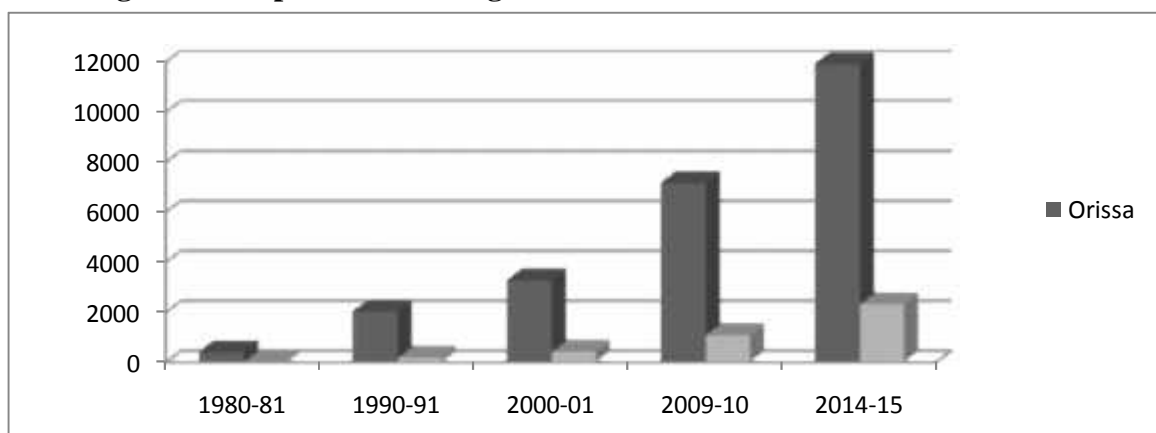
Year	Rs. in lakh				
	Mayurbhanj	Odisha	Mayurbhanj as percentage of Odisha	Compound annual growth rate in Mayurbhanj	Compound annual growth rate in Odisha
1980-81	33	418	8	-	-
1990-91	203	2040	10	19.9	17.1
2000-01	441	3288	13	8.1	4.9
2009-10	1114	7177	15	9.7	8.1
2014-15	2341	11940	20	16	10.8

Source-District Industries Centre, Mayurbhanj

Calculated by scholar

While calculating the compound annual growth rate of investment in Mayurbhanj in different time period, it came to vision that in the year 1990-91, the rate was 19.9 per cent followed by 8.1 in 2000-01 and then again it increased to 9.7 per cent in 2009-10 and to 16 per cent in 2014-15. In case of Odisha, the compound annual growth rate of investment was 17.1 per cent in 1990-91 and it declined drastically to 4.9 per cent in 2000-01. In the year 2009-10, the growth rate saw a revival and increased to 8.1 per cent and in the year 2014-15, the growth rate was 10.8 per cent.

Figure 5.2 Diagrammatic presentation of growth of investment in Forest and Wood industries



1.3 Problems faced by the Forest and Wood industries

During the process of data collection from different units of Forest and Wood industries set up in different blocks of Mayurbhanj, certain problems came to limelight which are generally faced by the people associated with the industries. The problems can be summarized as follows-

- The wooden toys are being replaced by the plastic toys now-a-days for which the demand for the wooden toys are decreasing day by day.



- Female workers are paid less wage compared to the male workers.
- The leaf plate making units face competition from the thermo cool plate making units and the plastic plate making units.

Findings

- Mayurbhanj is a district having a large series of natural resource like forest. A nice growth in number of Forest and Wood industries has been observed throughout the year.
- There is also an increase in investment rate in different time period.
- Though the Forest and Wood based industry can be a nice start up for the people who are planning to set up new industry, they are pulled back by the existing competitors.
- Raw sabai products are sold at a lower price compared to the dry sabai products.
- The match box making unit in Rairangpur block of Mayurbhanj was on the edge of shut down and the reason remained unrevealed as it was not possible to interact with the owner directly.
- Maximum number of entrepreneurs was not interested in providing data as they were trying to hide their original income, generated through the industries.

Summary and Conclusion

Mayurbhanj is a tribal dominated district. Though some of them are coming to the mainstream of the society, till a lot has to be done for their upliftment and setting up of Forest and Wood based industry can help in this. The young generation must show interest in setting up of new industries so that they can secure the future of them and future of others as well. There should be time to time training on enhancement of skill and technology at the District level or block level so that the upcoming entrepreneurs will find it relatively less hard to start up and to sustain in the race.

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