Lesson No.: 1

SMALL SCALE SECTOR IN INDIA

STRUCTURE

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1.0 OBJECTIVES

After reading this lesson, you should be able to:

(a) Define small scale industry and explain the features and objectives of SSI.
(b) Discuss the relationship between small and large industries.
(c) Highlight the importance and role of small scale industries in
(d) Describe the problems of small scale industries and explain the remedial measures to overcome these problems.

1.1 INTRODUCTION

The Small-Scale Industries (SSI) have a crucial role in a developing economy like India. They play a strategic role in the progress of the country. These industries by and large represent a stage in economic transition from traditional segments to modern segments. The traditional nature of this process is reflected in the diversities of these industries. Some small scale units employ simple skills and mechanism while many other units use modern and sophisticated technology. Now, our economy is facing a challenge of economic growth. It has to accelerate the productivity of many important areas like agriculture and industry by improving their techniques of production. SSIs have been assigned to fulfil these expectations in more economic and diversified way.

SSIs constitute an important part of the Indian economic structure. They integrate a continuing element in the scheme of national planning. They are a strategic part of the Indian economy as well as a progressive and effective decentralized sector, which is closely related with agriculture and medium and large-scale industries. The whole scheme of a socialistic pattern of society with employment for all rests on the decentralisation and wide distribution of economic activity, entrepreneurship and economic advantages. The basic social philosophy underlying Indian Planning is to develop medium and large scale sector only to take advantage of modern technology. Over the rest of the field, SSIs will be encouraged to play their active role. If there is change in scale,
that has to be developed with the help of mutual co-operation, both horizontal and vertical.

Thus, small and large-scale industries are two legs of industrialisation process of a country. Hence, small-scale industries are found in existence in every country. Small-scale industries have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons. Today, India operates the largest and oldest programmes for the development of small-scale industries in any developing country. As a matter of fact, small sector has now emerged as a dynamic and vibrant sector for the Indian economy in the recent years. Before we discuss various aspects of small industry development, it seems pertinent to begin with an introductory framework of small industries in India.

1.2 MEANING AND DEFINITIONS OF SMALL SCALE INDUSTRY

Small-scale industry comprises of a variety of undertakings. The definition of small-scale industry varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, Government Policy and administrative set up of the particular country. As a result, there are nearly 50 different definitions of SSIs found and used in 75 countries. All these definitions either relate to capital or employment or both or any other criteria. We trace here the evolution of the legal concept of small-scale industry in India. There can be two bases for defining small business and these are:

I. **Scale of Business:** The size or scale of business can be measured in various ways like:

   (i) Investment on plant and machinery

   (ii) Employment generation.
(iii) Investment and Employment.
(iv) Volume and/or value of production.
(v) Volume and/or value of sales.

II. **Qualitative Aspects:** These can be:-

(i) Ownership of small business is in the hands of an individual or a few individuals.

(ii) Management and control of small-scale firm is with the owner or owners.

(iii) Technology adopted in small-scale unit is normally labour intensive.

(iv) Small-scale business is normally carried on in a limited or local area.

Before Second World War a small concern was defined as a unit having capital invested up to Rs. 30,000 and those concerns having capital in excess of that amount were classified as large-scale units.

The definition of small-scale enterprise has undergone changes over years with the ceiling raised to take into account the rising cost of machinery as well as falling value of rupee. Various definitions of small-scale unit are as under:

According to Fiscal Commission, 1950 “A unit operating mainly with hired labour usually 10 to 50 hands.”

According to Small Scale Industries Board, 1955 “A unit employing less than 50 persons if using power and less than 100 persons without the use of power and with a capital investment not exceeding Rs. 5 lakhs.”

According to Ministry of Commerce and Industry, 1960 “An industrial unit with a capital investment of not more than Rs. 5 lakhs irrespective of the number of persons employed.”
According to Ministry of Commerce and Industry, 1966 “An undertaking having an investment in plant and machinery of not more than Rs. 20 lakhs and 25 lakhs in case of ancillary units.”

According to Government of India, 1985 “An undertaking having an investment in plant and machinery of not more than Rs. 35 lakhs and not more than Rs. 45 lakhs in case of ancillary units.”

According to Government of India, 1991 “An undertaking having an investment in plant and machinery of not more than Rs. 60 lakhs and not more than 75 lakhs in case of ancillary units.”

According to Government of India, 1997 “An undertaking having an investment in plant and machinery of not more than Rs. 3 crores.”

According to Government of India, 2000 “An undertaking having an investment in plant and machinery of not more than Rs. 1 crores.”

It is evident from the above definitions that there was upward revisions in the investment limit on plant and machinery in small scale sector from Rs. 5 lakhs to Rs. 3 crores over years but this limit has been reduced to Rs. 1 crore in the year 1999-2000.

**Tiny Industries:** Very small industries with an investment of less than Rs. 25 lakhs are included in the category of Tiny industries. Capital investments for this purpose means investment in plant and machinery. The location restrictions or the setting up of Tiny Units have been removed by Small Industries Policy of 1992. The number of persons employed in these units must be less than 50. These units are normally operated under sole proprietorship form of ownership. These units are managed by family members and not professionals which result in lower profit generation.
**Ancillary Units:** Industrial units having an investment in plant and machinery, whether held on ownership or by lease or by hire purchase does not exceed Rs. 1 crore and engaged or is proposed to be engaged in the manufacture or production of parts, components, sub assemblies, tooling and intermediaries, or the rendering of service and supply or render at least 50 per cent of its production or services as the cases may be to one or more other industrial undertakings.

**Cottage Industries:** These are also called household industries. They are organised by individuals’ and with the help of members of the household (including family labour) and are pursued as full time or part time occupation. The capital investment is small and the components used are simple. These industrial units normally use local resources and local skills. The output produced in each industrial unit is generally sold in the local market.

**1.3 FEATURES OF SMALL SCALE INDUSTRIES**

The following are the feature of small scale industries:

1. **Ownership:** Ownership of small-scale unit is with one individual in sole proprietorship or it can be with a few individuals in partnership.

2. **Management and Control:** A small scale unit is normally a one man show and even in case of partnership the activities are mainly carried out by the active partner and rest are generally sleeping partners. These units are managed in a personalised fashion. The owner is actively involved in all the decisions concerning business.

3. **Gestation Period:** Gestation period is that period after which teething problems are over and return on investment starts.
Gestation period of small-scale unit is less as compared to large-scale unit.

4. **Area of Operation:** The area of operation of small scale unit is generally localised catering to the local or regional demand. The overall resources at the disposal of a small-scale units are limited and as a result of this, it is forced to confine its activities to the local level.

5. **Technology:** Small industries are fairly labour intensive with comparatively smaller capital investment than the larger units. Therefore these units are more suited for economies where capital is scarce and there is abundant supply of labour.

6. **Resources:** Small scale units use local or indigenous resources and as such can be located anywhere subject to the availability of these resources like labour and raw materials.

7. **Dispersal of Units:** Small-scale units use local resources and can be dispersed over a wide territory. The development of small-scale units in rural and backward areas promotes more balanced regional development and can prevent the influx of job seekers from rural areas to cities.

8. **Flexibility:** Small-scale units as compared to large-scale units are more change susceptible and highly reactive and responsive to socio-economic conditions. They are more flexible to adopt changes like new method of production, introduction of new products etc.

1.4 **OBJECTIVES OF SMALL SCALE INDUSTRIES**

The small scale sector can stimulate economic activity and is entrusted with the responsibility of realising the following objectives:-
1. To create more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions of the economy.
3. To reduce regional imbalances.
4. To mobilise and ensure optimum utilisation of unexploited resources of the country.
5. To improve standard of living of people.
6. To ensure equitable distribution of income and wealth.
7. To solve unemployment problem.
8. To attain self-reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

1.5 SMALL BUSINESS AS A SEEDBED OF ENTERPRENEURSHIP

Seedbed refers to the preparing of soil for the sowing of seeds so that we may have good crop. Small business is regarded as a seedbed for entrepreneurship as it provides conducive conditions for the emergence and growth of entrepreneurs. Small-scale units employ available technology and can be started with less investment. They are going to use local resources and cater mainly to local demand. These units normally revolve round one individual who is called upon to perform various roles. He is the owner, manager and risk bearer and hence can be called an entrepreneur. The emergence, growth and success of entrepreneurs are linked with the growth of small business. The Government of India too has given small-scale industry an important place in the framework of economic planning for economic and ideological reasons. Thus setting up of more small scale units will create more opportunities for entrepreneurial development and more and more educated
unemployed will come forward for setting up their own enterprises. It will usher in an era wherein enterprising persons will assume entrepreneurial career in future.

Small enterprises are called seedbed of entrepreneurship due to the following reasons:

1. Small-scale enterprises can be started with lesser investment, which can be contributed by the promoter or arranged from friends and relatives.
2. Small-scale units carry on business on a small scale and as such the element of risk is less.
3. Small-scale units are generally based on local resources and as such there is no problem regarding their availability.
4. Small-scale entrepreneur adopts labour intensive technology. Thus he generates employment for himself as well as for others.
5. Small-scale units can be located anywhere and thus help in the development of backward areas of the country.
6. Small-scale units generally cater to local demand and necessary modifications can be made in the products keeping in mind the changing demand of people.
7. Small-scale units provide ample opportunities for creativity and experimentation.
8. Small-scale units have shorter gestation period and hence waiting period for getting return on investment is less.
9. These units are relatively more environmental friendly.
10. Small-scale units help in building achievement motivation amongst entrepreneurs.
11. Small-scale units are viewed favorably by the government and society because these help in equitable distribution of income and wealth.

Keeping in mind the above potentials of small scale industry as a developer of entrepreneurial talent, the government of India has facilitated this sector by providing it with various concessions and incentives.

1.6 RELATIONSHIP BETWEEN SMALL AND LARGE INDUSTRIES

After going through the distinct characteristics of small-scale industries, one should not assume that the both small and large, are antithetic to each other. In other words, the both cannot sustain in an economy. But, fact is that one is complementary to each other. The relationship between the small and the large industrial units can be seen in various respects, which are stated below:

1. Supplementary: Small industry can fill in the gaps between large production and standard outputs caused by large-scale industries. This is due to this supplementary role of small industries that a small tricycle factory sustained and flourished alongside a large cycle factory in Chennai city.

2. Complementary: Apart from supplementary relationship, small industry has been a complementary to its large counterparts. In the real world, many small units produce intermediate products for large units. Such subcontracting relationship between the small and large was particularly marked in the economic history of today’s industrially developed Japan. As industrialisation proceeds, small firms seem naturally to shift from activities that compete with large firms to complementary ones. Similarly, China too continues to rely on Mao’s aphorism of “walking on two legs” – one being
small and the other large. Under complementary relationship, small units function under the tutelage of the large units and enjoy the advantage of protected market for their products then, the flourishment of such small units remains beyond doubt.

3. *Competitive*: Though Small-scale industry cannot compete with large industry in certain circumstances and in selected products, but they have comparative advantage in some products. Example of such industries are bricks and tiles, fresh baked goods and perishable edibles, preserved fruits, goods requiring small engineering skill, items demanding craftsmanship and artistry.

4. *Servicing*: Small industries do also install servicing and repairing shops for the products of large units. In the case of India, such small servicing units can be seen proliferating in respect of large industries like refrigerators, radio and television sets, watches and clocks, cycles and motor vehicles.

5. *Initiative*: Attracted by the high profits of large units, small units can also take initiative to produce the particular product. If succeeds, the small unit grows to large over a period of time. Staley quotes such initiation that many of the automobile factories started this way in the United States of America. In our country too, the electronic industry looks like following to this initiative pattern of development.

1.7 RATIONALE OF SMALL SCALE INDUSTRIES

Following are the main rationales to support small-scale industries in India:

1. **The Factor Price Argument**: It is commonly argued that for various institutional reasons, labour used in large enterprise is priced well above the levels at which it is used in small-scale
industries. The SSI sector, which uses more labour and less capital per unit of output, will have relatively lower costs as their training and development costs are quite low. Besides, large enterprises are ready to pay more as they have to attract more stable migrants from rural areas. Cost of developing commitments among them to firm specific is also quite high. But small units make greater use of the unstable labour with high turnover because in their case the stability – efficiency relationship for the work force is much weaker. Their labour cost is much less expensive as they generally use less expensive often second hand machines which need less training to use and whose cost of damage from misuse is less. The high labour productivity in large firms enables the firm specific labour to claim a share of profit. The motivation of an exclusive labour force can only be sustained if management is sympathetic to profit sharing ideas. Unionisation of labour force in large enterprises is another important variable. But these types of problems are not available in small-scale enterprises.

2. Employment Argument: In view of India’s scarce capital resources and abundant labour, the most important argument advanced in favour of the SSIs is that they have a potential to create immediate large-scale employment opportunities. The increasing emphasis on SSIs in developing countries like India stems largely from the widespread concern over unemployment hovering in the country. There are many research findings available, which well establish that small-scale units are more labour intensive, than large units. In other words, small units use more of labour per unit of output than investment.

According to a study, while the output-employment ratio is the lowest in the small-scale sector, employment-generating
capacity of small sector is eight times that of the large-scale sector. P.C. Mahavir also supports the view that small industries are fairly labour intensive. He mentions that with any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory system.

3. Equality Argument. One of the main arguments put forward in favour of the small-scale industries is that they ensure a more equitable distribution of national income and wealth. This is accomplished because of the two major considerations: (i) compared to the ownership of large-scale units, the ownership pattern in SSI is more widespread (ii) their more labour-intensive nature, on the one hand, and their decentralisation and dispersal to rural and backward areas, on the other, provide more employment opportunities to the unemployed. This results in more equitable distribution of produce of the small-scale units. It is also held that as most of the small enterprises are either proprietary or partnership concerns, the relations between the workers and the employees are more harmonious in small enterprises than in the large enterprises.

4. Decentralisation Argument: Decentralisation argument impresses the necessity of regional dispersal of industries to promote balanced regional development in the country. Big industries are concentrated everywhere in urban areas. But, small industries can be located in rural and semi-urban areas to use local resources and to cater to the local demands. Admittedly, it will not be possible to start small enterprises in every village, but it is quite possible to start small enterprises in a group of villages.
Decentralisation of industrial enterprises will help tap local resources such as raw materials, idle savings, local talents and ultimately improves the standard of living even in erstwhile backward areas. The most glaring example of this phenomenon is the economy of Punjab, which has more small-scale units than even the industrially developed state of Maharashtra.

**5. Latent Resources Argument:** This argument suggests that small enterprises are capable of mapping up latent and unutilized resources like hoarded wealth, ideas entrepreneurial ability, etc. However, Dhar and Lydall say that the real force of latent resources argument lies in the existence of entrepreneurial skill. They argue that there is no evidence of an overall shortage of small entrepreneurs in India. Hence, they doubt the force of this latent resources argument. Their assertion does not appear to be very sound simply because of the fact that if small entrepreneurs were present in abundance, than what obstructed the growth of small enterprise.

**1.8 IMPORTANCE OF SMALL SCALE INDUSTRIES**

Small-scale industries play an important role in industrial development of a country. It is all the more important in case of developing countries like India. The socio-economic transformation of India cannot be achieved without the development of small-scale industries. It has been estimated that the small-scale industries contribute about 47 per cent of gross value of output manufactured in the country. Their importance can be further highlighted by noting that SSIs provided nearly five times the employment as compared to the large-scale sector. SSI is an important segment of the economy contributing substantially in the form of production, employment and export. Let us now discuss the various
advantages of small-scale industries to highlight the importance of this sector. The main advantages are as follows:

1. **Generation of Employment:** The small-scale industries are labour intensive i.e. the ratio of labour to investment is very high in their case. A given amount of capital invested in a small-scale industry provided more employment than the same amount of capital invested in a large-scale industry. Since capital is scarce and labour abundant in India, the generation of employment is the advantage that can be put forward for the support of small-scale industries in India. Moreover, these industries can be set-up at the very doorstep of workers and, thereby, provide work for the unemployed, more work for the underemployed and supplementary work for the seasonally unemployed workers.

2. **Self Employment:** The small-scale industries offer almost limitless opportunities for self employment and hence are particularly suited to a developing country like India where there is a big problem of unemployment and underemployment.

3. **Lesser Capital Requirement:** Another advantage of small-scale industries is that they need relatively lesser amount of capital than that required by large-scale industries. As capital is very scarce in an underdeveloped country like India, it may be used to greater advantage in small-scale sector.

4. **Mobilisation of Capital:** Small-scale industries not only make economies in the use of capital but also mobilise capital that would not otherwise have come into existence. Large-scale industries cannot mobilise the savings from rural areas, while this task can be effectively accomplished by setting up a network of small-scale industries in such areas.
5. Mobilisation of Entrepreneurial Skill: Another advantage of small-scale industries is the lesser requirement of skill and expertise, which is also scarce in a developing country like India. Further, large-scale industries cannot utilise a number of entrepreneurs who are spread over small towns and villages of the country. On the other hand, small-scale industries can effectively mobilise such entrepreneurial skills.

6. Equitable Distribution of Income: Small-scale industries secure a more equitable distribution of income and wealth. They are particularly suitable for the fulfillment of the objective of social justice. This is ensured because the ownership of small-scale industries is more widespread and they offer a much longer employment potential as compared to the large-scale industries. The development of large-scale industries tends to concentrate large incomes and wealth in a few hands.

7. Balanced Regional Development: Small-scale industries utilise local resources, bring about dispersion of industries and promote balanced regional development. The growth of large-scale industries on the other hand have a tendency towards concentration of industries at a few places leading to many evil consequences such as overcrowding, pollution, creation of slums, etc. Concentration of industries at a few places is undesirable from the point of view of national defence also, as during war times, there is a greater risk of destroying different industries concentrated at one place.

8. Saving in Foreign Exchange: Another advantages of the small-scale industries are the savings they offer in the scarce foreign exchange resources of the country. Firstly, small-scale industries do not require much foreign exchange resources for their
establishment and secondly, these industries can contribute to the foreign exchange resources of the country through adding to exports.

9. **Quick Investment:** The time lag between the execution of investment project and the start of production of goods is relatively short in case of small-scale industries. These quick investment type of industries are particularly suitable for developing countries like India.

10. **Beneficial to large-scale industries:** Large-scale industries can also prosper and develop, if small-scale industries manufacture and supply their small parts and semi-finished goods required by them. Infact, small-scale industries are a must for the development of large-scale industries.

11. **Other advantages:** These industries also confer certain other social and political benefits such as overcoming territorial immobility, reduction of pressure on land, relieving congestion in urban areas, self-employment, etc.

### 1.9 ROLE OF SMALL SCALE INDUSTRIES IN INDIA

Small-scale and cottage industries have been playing an important role in Indian economy in terms of employment generation and growth. It is estimated that this sector has been contributing about 47 per cent of the gross value of output produced in the manufacturing sector and the generation of employment by the small-sector is more than five times to that of large-scale sector. The following are some of the important roles played by small-scale industries in India:

1. **Number of Units:** Total number of registered small-scale and cottage units has been increasing rapidly from 16,000 in 1950 to 36,000 in 1961 and 8.53 lakh units in 1985-86 to 14.96 lakh
units in 1991-92. Moreover, there were about 5.84 lakh unregistered small-scale units in India. In 2000-01 the total number of small-scale and cottage units further increased to 33.7 lakh. But as per the census of SSI units, about 30 to 40% of these registered units might be non-functional. The Second All India Census of registered small-scale industrial units was conducted by Small Industries Development Organisation in 1987-88. Findings of the census also give added empirical support to the generally accepted hypothesis about the distinct characteristics of the SSI sector compared with those of the large and medium sector, namely lower capital base, lower capital/labour ratio, lower productivity of labour and higher productivity of capital and lower wage rates. These small-scale industries are also producing various types of commodities starting from simple consumer goods to the manufacture of sophisticated electronic goods.

2. **Employment Generation:** Small-scale industries are labour-intensive and thus are generating a large number of employment opportunities. Total employment generated by these small-scale industries has increased from 39.7 lakhs in 1973-74 to 96 lakhs in 1985-86. Employment of the small-scale sector has again increased from 129.8 lakh in 1991-92 to 219.7 lakh in 2004-05, showing an increase of about 4% over the previous year.

3. **Investment:** Investment in the small-scale sector has been increasing at a faster rate. As per the statistics made available by SIDO, total amount of investment in the small-scale units of India has increased significantly from Rs. 2233 crores in 1972-73 to Rs. 4431 crores in 1978-79 and then to Rs. 14,730 crores in 2004-05. Fixed investment per employee which was Rs. 6.4 thousand in
1972 as per SSI census gradually rose to Rs. 92.07 thousand in 2004-05 as per the results of Annual Survey of Industries (ASI).

4. **Output:** Total production of the small-scale units has increased from Rs. 7200 crores in 1973-74 to Rs. 57,100 crore in 1985-86. The value of output of the SSI sector in 2004-05 is at Rs. 7,89,620 crores showing an increase of 10.2% over the output of Rs. 5,72,887 crores in 1999.

5. **Contribution to Exports:** The contribution of SSI sector towards export has been increasing at a faster rate. The value of exports of the products produced by the small-scale sector has increased from Rs.393 crore in 1973-74 to Rs. 9,100 crore in 1990-91 and then to Rs. 68,280 crore in 2004-05. Again in dollar terms, the value of exports from SSI sector has also increased from Dollar 8.87 billion in 1993-94 to Dollar 15.18 billion in 2004-05. The share of export from small-scale sector in the total export has increased from 9.6% in 1971-72 to 42% in 2004-05.

6. **Equitable Distribution of Income:** Small-scale and cottage industries has been resulting more equitable distribution of national income and wealth. This is mainly due to the fact that the ownership of small-scale industries is quite widespread as compared to large-scale industries and small-scale sector is having a higher employment potential than that of large-scale sector.

7. **Mobilisation of Capital and Entrepreneurial Skill:** Small-scale industries can mobilise a good amount of savings and entrepreneurial skill from rural and semi-urban areas which remained untouched from the clutches of large-scale sector. Thus, a huge amount of latent resources are being mobilised in the SSI sector for the industrial development of the country.
8. **Regional Dispersal of Industries:** Small-scale industries are playing an important role in dispersing the industrial units of the country in the various parts of the country. As the large-scale industries are mostly located in some states like Maharashtra, West Bengal, Gujarat, Tamil Nadu, thus dispersal of SSI units throughout the country can achieve the balanced pattern of industries development in the country.

9. **Better Industrial Relation:** The small-scale industries are maintaining a better industrial relations between employers and employees and thus can lessen the frequency of industrial disputes. But the large-scale industries are facing the problems of strikes and lockouts and hence good industrial relations in these industries are very difficult to maintain. Thus, the loss of production and mandays are comparatively less in small-scale sector.

   It is due to the above mentioned factors the growth rate of small-scale industrial sector has remained faster in terms of its number, employment and output.

1.10 **PROBLEMS OF SMALL SCALE INDUSTRIES**

   Small scale industries plays a very vital role in the economic development of our country. This sector can stimulate economic activity and is entrusted with the responsibility of realising various objectives like generation of more employment opportunities with less investment, reducing regional imbalances etc. Small-scale industries are not in a position to play their role effectively due to various constraints. The various problems faced by small-scale industries are as under:

   (i) **Inefficient Labour:** Labour is major but active player in small-scale industries. But they lack training and developmental
opportunities in small-scale sector. So they are unable to contribute as expected from them. Since size of small units is not always optimal so they are also unable to understand the importance of training and development. Level of education of workers working in small-scale sector is also low and they fail to cope up with the challenges of modern production system. Professionals and technocrats are also not interested to join small scale as this sector is not ready to compensate them properly. So small entrepreneurs are facing the constraint of inefficient labour force and unable to improve their productivity.

(ii) Defective System of Supply of Raw Materials: Small-scale industries are facing the problem of short supply of raw materials. Small size and weak financial position also force them to unutilize the services of middlemen to get raw materials on credit from suppliers. Canalising agencies like state level small industry corporations, STC, MMTC and Handloom Development Corporations are not providing much help in arranging adequate supply of raw materials at right price in right time. So they fail to utilise their full production capacity and it also increases their cost of production which adversely affect their competitive strength in the market.

(iii) Absence of Credit Facility: Historically, SSIs have had privileged access to bank finance through cheap priority sector lending. Since interest rates were fixed lower for them than the market rates, they did not reflect the higher risks and costs of investing in small borrowers. SSIs also benefited from the subsidies implicit in the tax standards for provisioning for bad and doubtful debts. The deregulation of interest rates in present scenario forces them to pay more. The bench mark rate of interest for banks is the
price lending rates – a higher rate reflects the risks of lending to individual borrowers. Consequently, interest rates have risen sharply for small-scale units. The priority sector lending scheme hardly softens the burden since not more than Rs. 2 lakh can be borrowed under this scheme. Besides, SSIs are also unable to generate resources as they lack systematic way to communicate their work to the capital markets and muster support from the intermediaries. Due to poor financial image, they generally fail to get their credit facility at reasonable costs.

(iv) Lack of Machinery and Equipment: SSIs are also facing the problem of inferior supply of machinery and equipments etc. Most of companies which are engaged in production of plants and machineries are meant for medium and large scale companies. Only selected companies or few producers are engaged in the production of plant, machineries and equipments for small-scale sector. So they generally charge high price for their capital goods supplies from small-scale units. Besides, bargaining power of SSIs is not so much and they have to work with available machinery and equipments in the market. They have also been forced to use second-hand machines. It also affects the production performance of SSIs.

(v) Huge Number of Bogus Small Firms: Government policy favours SSIs in terms of concessions, subsidy and incentives. This has prompted the so-called entrepreneurs to develop bogus firms on paper to avail government subsidies and incentives. It makes impossible for the genuine firms to get due concessions, subsidies etc. from the Government. They indirectly help the medium and large-scale enterprises in availing raw materials etc. at reduced
rates. Availability of cheap finance also encourages the bogus firms to operate in the small-scale sector.

**(vi) Unsuitable Location:** Selection of location for the development of plants etc. also creates problem before the SSIs. The choice of location is generally governed by different consideration like availability of infrastructural facility, the cost and tenure of acquisitions, availability of labour and the proximity of markets. Small entrepreneurs are not properly trained in deciding about suitable location. Actually, they select their location due to other consideration like availability of cheap land, family business, sentimental attachment to their traditional ancestral property etc.

**(vii) Competition from Large Scale Units:** SSIs are facing the problem of competition from their other counterparts – medium and large scale industries. Since 1991, a large number of items reserved for small industries are now freely importable. The Government has also announced that it is considering a phased removal of quantity restrictions on consumer goods imports over a period of five years. Medium and large-scale industries are also producing goods, which are competing with the goods being produced by the SSIs. So in practice, SSIs are unable to compete with large-scale units as their size is small and products are not cost effective.

**(viii) Obsolete Technology:** SSIs lack latest technology as they do not have any technological support from the Government and other technological institutes and laboratories. But in practice, technology alone can ensure quality and high level of productivity. R & D efforts are costly venture and SSIs do not have resources to finance these programmes individually and internally. Small
enterprises have a very limited choice with regard to foreign collaboration and technological support too. Their potential partners overseas have a better reputation for innovation but the investment climate in India is not yet hospitable enough to attend them in small-scale sector. Special steps have not yet been taken to address the issues of collaboration between Indian and overseas small industries.

(ix) Absence of Organised Marketing Facility: Small-scale industries are unable to spend huge amount on the development of marketing facilities as they lack resources. Lack of standardisation, poor design and quality, lack of precision and proper finish, absence of after-sale service, ignorance about potential market, financial weakness are some of the problems in their selling process.

(x) Poor Recoveries: It is general practice for buyers to avail credit facility from sellers. SSIs lack bargaining power in dictating their terms to the potential buyers for their products. Provision for credit facility with regard to sales is forced upon the SSIs by potential purchasers. Initially, credit period ranges between one month to three months. But purchasers generally avoid timely payments. A situation has now developed in which buyers do not pay their dues to SSIs for more than 12 months. It created working capital problems before the SSIs.

1.11 REMEDIAL MEASURES

SSIs are holding a very important place in the industrial system of the country. Thus, suitable measures are necessary to remove these bottlenecks in the optimum operation of SSIs. These remedial measures are as follows:
1. **Effective Planning:** SSIs are required to conduct detailed survey of the existing situations prevailing in small-scale sector and draw productive programmes for them. Study suggests that very few small entrepreneurs launch their operations on the basis of a careful plan. A detailed feasibility study or detailed project report is highly essential for small entrepreneurs to start their units. Without proper planning, they may be affected by improper location, inexperienced consultancy services, improper technology, under estimation of costs, etc. So SSIs are required to initiate effective action plan for their survival.

2. **Improvement in Techniques of Production and Proper Technology:** SSIs should try to improve their techniques of product and adopt modern technology. Government consultancy organisations and laboratories have an important role to play in this context. They have to arrange viable and modern techniques of production to them, as they are unable to expend money on this count. Besides SSIs should keep themselves in touch with development in technology. They should also try to give a lead, if possible financially, in research and development efforts. They should also believe in continuous innovation and then they can remain in their business.

3. **Training and Development:** SSIs should make concerted efforts in imparting proper education and training to workers engaged in this sector as they are valuable asset of industry. Expenditure on training and development activities should be treated as an investment. Small Industries Associations should also involve themselves in providing knowledge and skills required for them in the changing environment. Workers should be encouraged to innovate themselves in the production process as it would enable
the SSI’s to compete with their medium and large scale counterparts. For this purpose effective motivation and reward system is highly desirable.

4. **Provision of Infrastructural Facilities:** Development finance, power arrangement, water supply, etc. are necessary for the smooth functioning of SSIs. State Development Corporation, Small Industries Corporation, State Technical Consultancy Organisations are engaged in provision of these facilities. But their support system needs further improvement. Development of industrial estates has solved this problem to a certain extent but efforts are needed to develop more industrial estates to accommodate more small units.

5. **Regular Supply of Raw Materials:** Small Industries Development Corporations and other canalising agencies responsible for the supply of raw materials to small scale sector should take necessary action to maintain a continuous but proper supply of raw material to SSIs. They should also ensure that bogus firms are to be excluded from this type of support. Government should also intervene from time to time in arranging cheaper imports of raw materials for them.

6. **Adequate Credit Arrangement:** For SSIs, traditional sources of financing offer little scope for expansion and alternative means like venture capital are yet to be developed for them. SIDBI has formulated guidelines for venture capital and there is hope for better finance facility for this sector. Besides, priority sector lending scheme should be made more broad-based and credit limits is to be enhanced. The SSIs depend more on their own funds and loaned fund from non-banking sector as they are unable to get proper support from banks and other funding agencies. The SIDBI is
trying to provide these facilities but intermediaries involved in the system are creating problems for them. So SIDBI should try to bring transparency and effectiveness in its functioning.

7. Effective Marketing Arrangements: SSIs should focus on brand, product and market development. They should try to remain in the market and special trust should be given on quality improvement programme. Products at low costs and passing on the benefits to consumers would go in long way to improve their marketing performance. The large companies earn handsome profits from marketing the products of small units by charging a much higher price from the customers. The reason is they have brands. So SSIs should try to popularise their products in the market which will provide them separate product and brand identity. This strategy will benefit them in the long run. However, efforts should be made to maintain standards and quality of the output then they will get positive support from their potential customers.

8. Development of Suitable Machinery: SSIs should try to develop separate suitable machineries for taking initiative with regard to problem faced by them. SSIs have different typical problems and that have to overcome by taking offensive strategies. SSIs Association should be offensive and objectively clear in their goals in pleading their cases with the Government. Associations like FICCI, Assocham and CII are more powerful in maintaining their relations with the Government. They should also involve themselves in focusing attention on the problems being faced by their members through seminar, conferences etc. So similar strategies should be adopted by the small industries associations to protect their members interest with the Government.
1.12 STEPS TAKEN TO SOLVE PROBLEMS OF SSIs

This phenomenal growth of SSI in India has been striking feature in the economy development of the country since independence. It has contributed to the overall growth or the GDP as well as in employment generation and exports. Actions taken by Government are based on Department-Related Parliamentary Standing Committee on Industry. The Report of the Committee was laid on the table of the Lok Sabha on May 5th, 2005. Actions taken are:

(i) RBI has advised the banks to display in the branch premises, the limit upto which collateral-free loans are available and other relevant information.

(ii) State Bank of India came out with a “Charter for SSI”. The Indian Banks’ Association (IBA) has also issued circular dated 31st March 2003 to all member banks to come out with similar charter for SSI sector. All 27 public sector banks have issued “Charter for SSI”.

(iii) The Small Industries Development Bank of India (SIDBI) has been disseminating information on schemes of assistance among SSI entrepreneurs through seminars/workshops organised by various Local Industries Associations, Confederation of India Industry (CII), Federation of Small and Medium Industries (FOSMI) etc. In order to create greater awareness amongst SSI units, business campaigns/meets are organised at district headquarters, industry centres and SSI clusters by SIDBI. SSI entrepreneurs are given information on relevant schemes on one-to-one basis during discussion on their projects.
(iv) The CGTSI has been taking necessary steps to publicise the Credit Guarantee Fund Scheme for Small Industries and create awareness of the scheme among member banks, lending institutions, SSI entrepreneurs and other stakeholders. The CGTSI posters have been displayed to Zonal and Regional offices of banks for the SSI borrowers. The advertisements relating to the scheme have also been published in Hindi.

(v) RBI through its circular has advised all banks to conduct entrepreneurship development training programmes and also give exhaustive training to their staff members sensitizing them to the needs of SSI sector. The feedback received from the bank show that some banks have taken necessary steps in this regard.

(vi) The committee feels that there is lack of awareness amongst SSI entrepreneurs about various schemes/facilities being offered by the Government and financial institutions. It has largely resulted in under financing of various schemes. The committee, therefore, recommends that the Government and FIs should give wide publicity and conduct awareness campaigns on the loan schemes among SSI entrepreneurs so that the benefits of various schemes percolate down to grass root level.

(vii) On the recommendation of the Committee, the NSIC has established a permanent display centre to show case the products of SSI units at Okhla, New Delhi. The SSI units from Khurja and adjoining areas have been provided facilities to display their projects free of cost.
(viii) The National Small Industries Corporation (NSIC) in association with SIDBI and SISI organised an awareness campaign at Bulandshahr on 22\textsuperscript{nd} September, 2003 where 150 SSI units participated in the event. NSIC also organised Handicrafts Expo’ 2004 on 12\textsuperscript{th} March to 16\textsuperscript{th} March, 2004 where built-up-stalls were provided free of cost to the participating units.

(ix) The number of branches of Public Sector Banks has increased. As on 31\textsuperscript{st} March, 2004 the Public Sector Banks had 497 specialised SSI branches all over the country.

(x) The Ministry of SSI has been taking up problems faced by SSI sector in credit flow from banks and institutional sources with RBI’s Standing Advisory committee (SAC) from time to time and based on the decisions taken, the banks have been advised by the RBI to take the needful action accordingly. The flow of credit to SSI sector from the public sector banks have gone up from Rs. 29,482 crore in March, 1996 to Rs. 58,227 crore in March, 2004 in absolute terms.

(xi) To ensure adequate flow of credit to SSI sector, the Government and RBI have taken various measures, which inter alia include simplified procedure for computing the working capital requirements of SSI units. The calculation of working capital will be made on the basis of minimum 20 per cent of projected annual turnover of the borrowing unit.

(xii) The RBI has advised the banks to fix self-target for growth in advances to SSI sector, fix time frame for
disposal of loan application enhancement in composite loan limit from Rs. 50 lakh to Rs. 1 crore, to dispense with collateral security requirement for loans upto Rs. 25 lakh to SSI having good track record financial position, enhancement of credit limit under Laghu Udhyami Credit Card (LUCC) from Rs. 2 lakh to Rs. 10 lakh based on satisfactory track record etc.

(xiii) A Small and Medium Enterprises (SME) Fund has been structured by SIDBI spread over two years, i.e. FY 2005 and FY 2006 for providing impetus to growth of SME sector.

(xiv) The RBI has instructed the bank not to harass the entrepreneur in the guise of rules and procedures. The procedure to apply for the loan and its sanction has been simplified. A time frame has been fixed for disposal of loan application, viz. upto Rs. 25,000 within 2 weeks and upto Rs. 5 lakh, within 4 weeks provided the loan application are complete in all respects and accompanied by a ‘Check List’. The banks have also been advised to extend composite loans (the limit for which has been enhanced from Rs. 50 lakh to Rs. 1 crore) through a single window so that the entire financing requirement is met by single documentation and security creation process to reduce the hardships faced by SSI entrepreneurs in securing loan and working capital.

Government in its endeavour to provide assistance in the growth of small scale sector has reserved certain items for
production in small scale sector alone i.e. medium or large scale units are dissuaded from producing these items.

**LIST OF ITEMS RESERVED FOR EXCLUSIVE MANUFACTURE IN SMALL SCALE SECTOR (AS ON 28\textsuperscript{TH} MARCH 2005)**

The present policy of encouraging growth of small scale industries is based on several promotional measures. One of these is reservation of products for exclusive manufacture in the small scale sector in areas where there is techno-economic justification for such an approach. Large/medium units can however manufacture such reserved items provided they undertake to export 50% or more of their production.

The issue of reservation/dereservation of products is examined on a continual basis by an Advisory Committee on Reservation, Constituted under ICDR Act 1951, which is presently headed by Secretary (SSI) as Chairman, Other members of the committee are Secretary (Commerce), Secretary (IP & P), Advisor (VSI) Planning Commission with Additional Secretary and DC(SSI) as Member Secretary. The total number of items reserved for small scale sector as on March 2005 is 506. Detail of 506 items are given as under. (However, 108 items have further been dereserved in Budget 2006-07).

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food And Allied Industries</td>
<td>9</td>
</tr>
<tr>
<td>Wood and Wood Products</td>
<td>9</td>
</tr>
<tr>
<td>Paper Products</td>
<td>9</td>
</tr>
<tr>
<td>Plastic Products</td>
<td>9</td>
</tr>
<tr>
<td>Chemicals and Chemical Products</td>
<td>9</td>
</tr>
<tr>
<td>Natural Essential Oil</td>
<td>2</td>
</tr>
<tr>
<td>Organic Chemicals &amp; Drugs and Drugs Intermediaries</td>
<td>33</td>
</tr>
<tr>
<td>Other Chemical and Chemical Products</td>
<td>67</td>
</tr>
</tbody>
</table>
1.13 SUMMARY

Small Scale Sector occupies an important position in the industrial structure of our country. In a country like India, wherein on one hand there is the acute problem of unemployment and on the other hand scarcity of capital, it is only the small scale sector which is best suited under these circumstances. Small scale enterprises play an important role in employment generation, resource mobilisation and utilisation, income generation and in helping to promote change in a gradual and phase manner. Small scale industries have vast potentialities but they could not progress satisfactorily. Their performance is not good as they face the problems of labour, availability of raw material, absence of credit facility, lack of machinery and equipment unsuitable location completion from large scale units obsolete technology, marketing facilities etc. Suitable measures are necessary to remove these bottlenecks in the optimum operation of SSI.
1.14 KEYWORDS

Small Scale Unit: An understanding having an investment in plant and machinery of not more than Rs. 1 crore is called Small Scale Unit.

Tiny Enterprise: A unit is treated as tiny enterprise where investment in plant and machinery does not exceed Rs. 25 lakh.

Idle capacity: When there is under utilisation of installed capacity, it is a situation of idle capacity.

1.15 SELF ASSESSMENT QUESTIONS

1. Define small scale industry. Discuss the features of small scale industry.

2. “Small Scale Industries are the seedbed of entrepreneurship development”. Discuss.

3. Discuss the role of small scale industries in developing countries like India.

4. Explain the problems of small scale industries in India. Give suggestions to overcome then.

5. What are the objection of small scale industries? Discuss the present position of small scale industries in India.

1.16 SUGGESTED READINGS


SSIs AND GOVERNMENT POLICIES

STRUCTURE

2.0 Objective

2.1 Introduction

2.2 Industry Policy Resolution, 1948

2.3 Industrial Policy Resolution, 1956

2.4 Third Five Year Plan

2.5 Industrial Policy, 1977

2.6 Industrial Policy, 1980

2.7 Seventh Five Year Plan

2.8 Post Liberalisation Scenario

2.9 Small Scale Industrial Policy, 1991

2.10 Tenth Five Year Plan

2.11 Other Measures

2.12 Policy Initiatives in SSI Sector during 2004-05

2.13 Policy Initiatives in SSI Sector during 2005-06

2.14 Policy Initiatives in SSI during 2006-07

2.15 Summary
2.0 OBJECTIVE

After reading this lesson, you should be able to:

(a) Explain the various Government policies towards SSI after independence.

(b) Highlight the post-liberalisation scenario for small sector in India.

(c) Discuss the various initiatives taken by the Government for SSI during different five year plan.

2.1 INTRODUCTION

Industrial development plays a crucial role in a country's development particularly with regards to the objectives of structural diversification, modernisation and self-reliance. The progress of industrialisation over the last forty-nine years in India has been a striking feature of Indian economic development. Moreover, Government has been laying tremendous stress on the strategy of development through the SSI sector. The promotion of industries has been regarded as an important element of development strategy during our Five Year Plans.

The modern small sector is akin to the large and medium industries sector in terms of technology in use, production facilities, labour intensity, capital intensity etc. The traditional industries include segments like handlooms, khadi and village industries, handicrafts sericulture, coir etc. The SSI sector has
been receiving special attention from the policy makers in addressing its requirements of credit, marketing, technology, entrepreneurship development, fiscal and infrastructural support etc. It enjoys the status of priority sector for seeking financial assistance.

As is well known, until 1991, the Indian economy was practically isolated from the world economy, with stress being on indigenous production of manufactured goods and domestic industries being protected from both internal and external competition. The protection from internal competition was through a system of licensing and controls and that from external competition through restrictions on imports as well as high tariff barriers. In this background the entire industrial sector became inward looking. Let us consider the policy environment for SSI sector in the context of India’s overall industrial policy right from the year of independence.

2.2 INDUSTRIAL POLICY RESOLUTION, 1948

Industrial Policy Resolution 1948 ascribed an important role to the SSI sector. The Karve Committee (1955) and the International Perspective Planning Team (1953-54) also emphasised the need to develop small scale and village industries to meet the following objectives:

(i) To create large-scale employment at relatively small capital costs.

(ii) To mobilise unused resources of capital and skills.

(iii) To ensure a more equitable distribution of national income including regional dispersal of industries.
(iv) To counter the tendencies towards concentration of economic power by widening opportunities for new entrants and medium and small sized units.

To develop SSI sector, the Central Government set up Small Industries Development Organisation (SIDO) in 1954 under the Ministry of Industries. Besides, six All India Boards were set up in place of Single Cottage Industries Board to deal with separate groups of industries.

Thus, this Industrial Policy Resolution 1948 gave a special role to SSI sector for creating additional employment with low capital investment by laying the basic administrative foundation for the years to come.

2.3 INDUSTRIAL POLICY RESOLUTION, 1956

In 1950, the Government grouped small-scale industrial undertakings into two categories – those using power but employing less than 50 persons and those not using power but employing less than 100 persons. Karve Committee 1955, stated, “The principle of self-employment is atleast as important to a successful democracy as that of self-government”.

During Industrial Policy Resolution 1956, Government reserved 128 items for exclusive production in the small scale sector in order to make SSI sector self-supporting and to make its development integrated with that of large scale industry. Other than reservation of 128 items, the Resolution also reserved 166 items for exclusive purchase by the Government from the small sector. In 1959, the Small Scale Industries Board constituted a
working group to examine the formulate to plan for the development of small scale industries during the third plan.

The Reserve Bank of India evolved a Credit Guarantee Scheme for small industries in 1960. The RBI took upon itself the role of a guarantee organisation for the advances which are left unpaid including interest overdue and recoverable charges. Not only working capital but even advances for the creation of fixed capital are covered under the scheme. The RBI sanctioned loans under the scheme on the basis of guarantee as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>(Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>Rs. 7.6</td>
</tr>
<tr>
<td>1968-69</td>
<td>Rs. 163.00</td>
</tr>
<tr>
<td>End of March 1990</td>
<td>Rs. 16,826.00</td>
</tr>
</tbody>
</table>

This shows the steady increase in the flow of institutional credit to SSI Sector.

The Industrial Policy Resolution, 1956 puts forth four arguments in favour of small scale industrial units:

**(i) The Employment Argument:** This argument assumes that small enterprises are labour-intensive and more employment oriented as compared to the large-scale units per unit capital employed.

It argues that SSI sector is an important solution for a labour-surplus economy like India where population is suffering from intense problems of unemployment, underemployment and seasonal unemployment. Most of the small enterprises in India are
either run by sole-traders or by partnership firms and it helps in better, healthy and harmonious employer-employee relationships.

(ii) The Equality Argument: The argument states that the small-scale enterprises help in disposal of income more widely than income generated in a few large enterprises. Large enterprises cause concentration of economic power in few hands and also encourage monoplistic tendencies whereas small-scale industries bring about greater equality of income distribution. Small enterprises also encourage the competitive element in the entrepreneur and generate the impulses of self-development.

(iii) The Latent Resource Argument: The argument suggests that small enterprises are able to tap latent resources of the country. Entrepreneurial ability, hoarded wealth, creativity, innovativeness etc. are brought up to the surface. It helps to emerge the dynamic entrepreneurs of the economy. If entrepreneurs are given an environment conducive to their growth and development, then the latent talents of entrepreneurs find self-expression in making innovations and saving the costs making them more competitive. Needless to say, SSI sector is playing a critical role in the Indian economy. Its contribution has increased in various fields and its ability to tap latent resources is too significant to escape notice. The functional vibrance of the sector is visible from its contribution of 40 per cent in industrial production, 35 per cent in country’s total exports and providing employment to 167 lakh persons in over 30 lakh small scale industries which is next to agriculture.
(iv) The Decentralisation Argument: This argument stresses the need of regional dispersal of industries. Society and people living therein can take the benefit of industries if the location of industry is suitable to them. Setting up small industries in remote and rural areas can give more benefit to Indian population rather than concentration of only larger enterprises located in metropolitan cities. Decentralisation of industry can help in tapping local resources, such as raw materials, idle savings local talent. The International Perspective Planning Team (1963) rightly pointed out, “a policy of trying to implant large amount of industry in the most backward areas as directly in villages is doomed to failure and can’t be justified economically. The focus for industrial development under a dispersal policy should be neither the metropolis nor the village, but rather the large range of potentially attractive cities and towns between these two extremes.”

Thus, Government has been trying to grow and develop SSI sector by protecting them and creating an environment conducive to their growth.

2.4 THIRD FIVE YEAR PLAN (1961-66)

During the third plan of period, intensive development of small industries was taken up in selected project areas known as, “Rural Industries Projects”. The actual expenditure on village and small industries during the Third Plan was estimated at Rs. 241 crores and during Annual Plans (1966-69) at Rs. 132 crores as against Rs. 42 crores and Rs. 187 crores during the first and second plans respectively. Industrial Estate Programmes was
oriented towards promoting industries in smaller towns and rural areas as a part of policy of industrial dispersal.

2.5 INDUSTRIAL POLICY, 1977

The policy laid out that its main thrust will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. The policy had the following salient features:

1. Classification of small sector in three categories:
   (i) Small Scale Industries
   (ii) Tiny Units
   (iii) Cottage and household industries which provide self-employment in large numbers.

2. Reservation of production of 504 items in the small scale sector.

3. Establishment of District Industries Centres (DICs) in all districts of the country to serve as a focal point of development for small and cottage industries.

4. Special marketing services to be provided like product standardisation, quality control etc.

Other than these measures, the policy also targeted to meet some objectives like increased employment, improved techniques of production, ensuring more suitable distribution of national income, balanced regional development, promotion of Khadi and Village Industries (KVIC), promotion of indigenous technology.
2.6 INDUSTRIAL POLICY, 1980

Industrial Policy of 1980 emphasised the need for intensifying the need for promotion of small industries through integrated industrial development and fostering complementarity between large and small sectors. Its features were:

(i) Definition of small scale, tiny units and ancillaries units was redefined;

(ii) The District Industries Centres (DICs) were replaced by nucleus plants in each industrially backward district to promote cottage and small industries. The nucleus plants were to concentrate on assembling the products of ancillary units and to produce inputs needed by large number of small units;

(iii) Reservations of items continued;

(iv) Financial support to small units was strengthened;

(v) Village industries including handloom, handicrafts, khadi etc. received greater attention.

(vi) The policy also measured to build up buffer stocks of critical inputs.

Other than these salient features, the policy also ensured the balanced growth of large, medium, small and cottage industries. The Policy also had primary objective to optimally utilise the installed capacity, higher employment generation, removal of regional balances, consumer protection against high price and bad quality, prevention of sickness of units, merger of sick units with healthy ones etc.
2.7 SEVENTH FIVE YEAR PLAN (1985-90)

The Seventh Plan focussed to upgrade the technology and modernisation to improve competitiveness of small industry. Ancillarisation was given great emphasis. More items of mass consumption were to be brought under quality control inspection. Comprehensive marketing support was to be provided to small units through market counselling, research, fairs and exhibitions etc. The seventh plan reviewing the progress of small industries clearly states, “The modern small industries including power looms have not dispersed widely; most of these are concentrated in the developed states and within these states also, a few areas which are either large cities, developed urban concentration or industrial complexes account for most of the activity.”

2.8 POST LIBERALISATION SCENARIO

Since 1991, the economy is gradually opened up and integrated with the global economy and the stress is on qualitative upgradation of the industry and improving international competitiveness of manufactured goods and services. Due to liberalisation and globalisation, more and more foreign companies had been allowed to enter the Indian economy. Globalisation implies cheaper alternatives becoming increasingly accessible and as a consequence domestic small enterprises are required to confront a new challenge, remaining competitive. Keeping in view the above, Government of India has been laying emphasis on providing financial and technological support to SSI, among others, in 1990s.
The post liberalisation (1991) era has thrown up new challenges to the Indian SSI sector. Being competitive in pricing, meeting quality standards, and environmental compliance have been foremost among them. Small enterprises cover a wide spectrum of industries and play an important role in developed and developing countries. India is no exception where small and medium sector accounts for 45 per cent of industrial production, 40 per cent of total exports and 80 per cent of manufacturing employment. There are nearly 7500 different products manufactured by SSI sector either directly producing consumer goods or serving as suppliers to larger industries. Over the years, small enterprises have emerged as the leaders in the industrial sector in India. In recognition of their importance and statute, the Government announced policy measure for promoting and strengthening of small, tiny and village enterprises on August 6, 1991 for the first time in the post-independence period.

2.9 SMALL SCALE INDUSTRIAL POLICY, 1991

The economic reform measure initiated by the Government in the form of Small Scale Industrial Policy, 1991 changed the business environment in the country. The thrust of the new policy has been to provide free access to capital, technology and market so as to include greater industrial efficiency and international competitiveness. The policy titled “Policy Measures for Promoting and Strengthening and Supplementing Small, Tiny and Village Enterprises,” for the first time on August 6th, 1991 is a landmark in the direction to impart more vitality and growth impetus to small sector in the country. The policy proposed to deregulate and
debureaucratise the small sector to remove all fetters on its growth potential.

(i) The central excise duty exemption limit to increase from Rs. 5 million to Rs. 10 million.

(ii) To go for fresh census that will cover, *interalia*, the incidence of sickness & its causes.

The package for Khadi and Village Industry Sector was separately announced on May 14, 2001 to enhance the role of the sector to meet the objectives of creating more jobs in rural areas and empowering the women and backward area.

Following measures have been taken to meet the objectives of various policies:

**New Policy Measures for Small Scale Enterprises**

Prime Minister announced following Policy measures at the National Conference of the Small Scale Industries in August 30, 2000 which are as under:

(i) Increase in the limit for composite loans from Rs.1 million to 2.5 million,

(ii) Industry related service and business enterprises with a maximum investment of Rs. 1 million to qualify for priority lending,

(iii) Capital subsidy of 12 per cent will be provided for investment in technology in select sector.

(iv) To continue for the next six years, granting Rs. 75,000 to each unit that obtains ISO 9000 series certification,
(v) To give a one time capital grant of 50 per cent to SSIs associations e.g. Confederation of Indian Industries (CII), Federation of Indian Chamber of Commerce and Industry (FICCI) etc. who wish to develop and operate testing laboratories, provided they are of international standard.

2.10 THE TENTH FIVE YEAR PLAN

The Tenth Five Year Plan (2002-07) has placed heavy reliance on small scale sector. The ceiling on investment in plant and machinery in respect of industrial undertakings manufacturing specified 13 items of the Stationery Sector and 10 items of Drugs and Pharmaceuticals Sector, was enhanced by Government of India from Rs. 1 crore to Rs. 5 crore, during 2003-04.

A new scheme called Baba Sahab Ambedkar Hastshilp Vikas Yojana (AHVS) has been formulated for artisan community. Another integrated and comprehensive scheme called Den Dayal Hathkargha Protsahen Yojana was launched on April 1, 2000 to provide assistance for the entire gamut of handloom sector activities like product development, infrastructure and institutional support, training to weavers, supply of equipment, marketing support to weavers at micro and macro level. The scheme is intended to be in operation till the end of 10th Five Year Plan. The outlay envisaged is Rs. 690 crore, including the central share of Rs. 360 crore to be given to the states on submission of project proposals.

The plan has simplified laws and procedures for investment and reform of development financial institutions for long-term
financing of small and medium enterprises. The plan envisages a comprehensive and coherent strategy for attaining rapid growth of SSI sector. It has brought various economic reforms to create a positive investment climate in order to make the industries internationally competitive.

**REVIEW OF 10th PLAN BUDGET ALLOCATION**

**ANNUAL PLAN (BE/RE) AND EXPENDITURE OF SIDO**

**(RS CRORE)**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Scheme/Programmes</th>
<th>10th plan Approved Outlay</th>
<th>Budget Utilisation (2002-03 to 2004-05)</th>
<th>BE</th>
<th>RE</th>
<th>Santioned upto 28.02.2006</th>
<th>Actual Expenditure upto 28.02.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promotion of Small Scale Industries</td>
<td>57.00</td>
<td>34.95</td>
<td>9.91</td>
<td>9.91</td>
<td>8.99</td>
<td>8.75</td>
</tr>
</tbody>
</table>
| 2    | Science & Technology, Research and Development  
  a) Training & Manpower Development                                                        | 35.00                      | 25.03                                   | 11.20| 9.94 | 9.08                      | 9.08                              |
<p>| 3    | (b) Trade Related Entrepreneurship Assistance &amp; Development for Women (TREAD)           | 11.70                      | 10.73                                   | 6.19| 6.01 | 5.84                      | 4.70                              |
| 4    | Ancillary Development                                                                      | 9.00                       | 0.17                                    | 0.40| 0.40 | 0.17                      | 0.17                              |
| 5    | Scheme for Tool Rooms                                                                      | 65.10                      | 60.74                                   | 25.50| 25.50| 25.50                      | 25.50                             |
| 6    | Marketing Assitance and Export Promotion Scheme                                            | 10.00                      | 5.37                                    | 2.30| 2.30 | 1.70                      | 1.62                              |
| 7    | Regional Testing Centres &amp; Field Testing Stations                                        | 25.00                      | 8.10                                    | 4.05| 4.05 | 3.05                      | 1.31                              |
| 8    | Technology Upgradation                                                                     | 85.50                      | 47.29                                   | 27.00| 29.25| 20.21                      | 19.54                             |</p>
<table>
<thead>
<tr>
<th></th>
<th>Scheme being dropped</th>
<th>CAD/CAM Centre, Chennai</th>
<th>15.00</th>
<th>0.00</th>
<th>0.10</th>
<th>10.22</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Infranstructural Development of SSI</td>
<td></td>
<td>58.80</td>
<td>28.30</td>
<td>26.97</td>
<td>17.32</td>
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<td>10</td>
<td>Collection of Statistics</td>
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<td>40.50</td>
<td>38.06</td>
<td>4.50</td>
<td>3.29</td>
</tr>
<tr>
<td>11</td>
<td>Credit Guarantee Fund Scheme for SSI Sector</td>
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<td>810.00</td>
<td>489.73</td>
<td>180.00</td>
<td>180.00</td>
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<tr>
<td>12</td>
<td>Credit Linked Capital Subsidy Scheme</td>
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<td>535.50</td>
<td>11.96</td>
<td>18.00</td>
<td>17.94</td>
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<tr>
<td>13</td>
<td>NE Region &amp; Sikkim</td>
<td></td>
<td>195.30</td>
<td>76.07</td>
<td>35.72</td>
<td>28.94</td>
</tr>
<tr>
<td>14</td>
<td>Total</td>
<td></td>
<td>1968.70</td>
<td>849.84</td>
<td>357.34</td>
<td>320.24</td>
</tr>
</tbody>
</table>

Source: Economic Survey

**2.11 OTHER MEASURES**

*(i) Reservation Policy*: The policy of reservation of items for manufacturing in Small Scale Industries (SSI) was introduced in 1967 which received a proper statutory backing in 1984 through amendment in Industries (Development Regulation) Act, 1951. Initially only 47 items were reserved in 1967, which went upto to 873 in 1984. The total number of items on the reserved list has been coming down year after years, and at present, there are 675 items reserved for SSI units. Even at present, the policy of reservation for SSI does not bar large industries from entering into production of items reserved provided agree to export 50 per cent of their production. As many as 75 items of laboratory chemicals and reagents, leather & leather products plastic product, chemicals & chemicals products and paper products were deserved on June 3, 2003. In addition, SSI investment limits (in plant and machinery) of hosiery, hand tools, stationery and drugs and pharmaceuticals industries were enhanced from Rs. 1 crore to Rs. 5 crore to enable
technology upgradation, modernization and to meet the present day global requirements.

The policy of reservation of products exclusive manufacture in SSI sector was initiated in 1967 beginning with 47 items and touched a peak level of 873 items in October 1984. Reservation is given as a promotional and protective measure for the small scale sector.

<table>
<thead>
<tr>
<th>Year</th>
<th>Items Reserved</th>
<th>Items Deserved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>873</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>836</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>851</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>821</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>799</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>749</td>
<td>51</td>
</tr>
<tr>
<td>2003</td>
<td>674</td>
<td>75</td>
</tr>
<tr>
<td>2004</td>
<td>604</td>
<td>85</td>
</tr>
<tr>
<td>2005</td>
<td>497</td>
<td>108</td>
</tr>
</tbody>
</table>

The policy of reservation is applicable to manufacturing segment and not to the servicing and repairing activities. Further, the policy applies only to those product lines that techno-economically suitable for manufacture by SSIs. The Reservation Policy has following objectives:
(i) To ensure increased production of consumer goods in the small scale sector,

(ii) To increase employment opportunities through setting up of SSIs,

(iii) To make SSIs economically viable.

The product reserved for SSIs can be manufactured by non-SSI units but with 50 per cent of export obligation. The SSIs that manufacture reserved items and grow in size and cross the investment ceiling prescribed for SSIs are also allowed to continue manufacture of these products as per their existing capacity. Such units have only to register themselves with the secretariat of Industrial Approvals.

The Export Committee on Small Enterprises set up under the chairmanship of Shri Abid Hussain has considered various aspects pertaining to the reservation of items. The committee recommended total de-reservation of the products. The committee also recommended that the Government should provide Rs. 5 billion per year over the next five years as equity support and interest concessions for upgrading technologies to SSI units affected by total de-reservation. This recommendation of committee’s report submitted in 1997 have not been accepted totally but the process of partial de-reservation has been adopted.

(ii) Exclusive Purchases from Small Scale Sector: The Government of India (GOI) in pursuance of the Industrial Policy, 1948, had initiated for government procurement through preferential purchases from small scale units. The NSIC has been registering the small units and promoting the marketing of SSI
products to the Government under the Preferential Purchase Policy. The SSI units so registered are treated at par with these registered with the DGS & D and do not require any separate registration with any other Central Government Department or Public Enterprises.

The Purchase Policy gives marketing support to SSIs in two ways as against large scale units/other suppliers:

(a) Purchases are made exclusively from SSI units for specified items known as items reserved for exclusive purchase from SSIs.

(b) Purchases of these items which are not reserved for government procurement, qualify for a price preference of 15 per cent as against the quotations from large scale units/other suppliers is given to the SSI units.

Thus, the SSI get protection from market competitions in the matter of purchase made by the DGS & D.

(iii) Revision of Investment Limit of SSI: Government has raised the investment ceiling of SSIs. SSI is defined as, “An industrial undertaking in which the investment in fixed assets in plant and machinery, whether held on ownership terms or lease or on hire-purchase doesn’t exceed Rs. 10 million.” There has been increase in the investment limits in plant and machinery of Small Scale Units, ancillary units and export oriented units to Rs. 60 lakhs, Rs. 75 lakhs and Rs. 75 lakhs respectively. Tiny units located in villages and towns with a population of less than 50,000 would have the investment limit raised from Rs. 2 lakhs to Rs. 5 lakhs irrespective of the location of the unit.
Women Entrepreneur Enterprise is termed as SSI unit/industry related service or business enterprise, managed by one or more women entrepreneurs in propriety concerns or in which she/they can individually or jointly have a share capital of not less than 51% as partners/shareholders/directors.

Raising the investment limit is expected to help modernisation and technological upgradation, particularly of export-oriented units, and would also encourage economies of scale.

(iv) Export-Oriented Units

(a) The concept of Export-Oriented Units was introduced among SSIs in 1991. EOUs have an obligation to export at least 30% of its annual production by the end of third year of commencement of production and having an investment ceiling of Rs. 10 million.

(b) Free import of capital goods/raw materials and other essential inputs, and in certain cases duty free or with concessional rate of custom duty, so as to ensure higher production for exports.

(c) With a view to make Indian products competitive in the world market, a large number of incentives have been provided to the exporters from time to time. Such incentives include refund of duties paid on raw material used in export production by a system of duty drawback, pre and post shipment credit to the exporters at concessional rates of interest etc.
(d) Export policy of the Government has remained liberal as there are hardly any restrictions on exports of items from small scale sectors.

(e) Export procedures have been simplified from time to time to promote exports.

(f) The Government has been providing assistance to small industries for exhibiting their products, in international exhibitions. The Government also organises training programmes on latest packing standards, techniques etc. besides providing technical and managerial consultancy services. The SSIs have 812 products exclusively reserved for production and contributes more than 50 per cent of total exports of the manufacturing sector and about 35 per cent of the total exports of the country. It produces a wide range of 7500 products covering every range of products.

(v) Modernisation Programme: Under its programme of modernisation of small industry units, the Government of India aims to update technology, by identifying the inputs needed for small industry. The main objectives of this programme are:

(a) To improve production technology;

(b) To improve product design and development;

(c) To promote utilization of appropriate technology for achieving operational results;

(d) To promote higher quality standards.

For promoting quality standards, awards like Rajiv Gandhi National Quality Award, CII-EXIM Business Excellence, Golden
Peacock National Quality Award and many state level awards have been instituted. Government of India also gives subsidies to small enterprise in getting ISO certificates.

**(vi) Administrative Reforms:** Under new policy measures, the Government has introduced a number of administrative reforms:

(a) Licensing restriction in production in small scale sector has been removed;

(b) Locational restriction have been reduced to the minimum;

(c) Industry related services have been brought under small industry development programmes and given greater encouragement;

(d) Registration procedure has been simplified;

(e) Various steps have been taken to transform the enforcement of labour laws for small industry from an era of regulation to an era of self discipline and voluntary compliance.

(f) Environmental clearance procedures for SSIs have been rationalised and simplified.

(g) In the administration of excise duty, major procedural simplications have been introduced.

**(vii) Marketing Assistance:** Initially, the SSIs production was confined to domestic market but gradually, production has been enlarged to cater to both national and international markets. There are about 7500 products manufactured by 115.22 lakh SSI units but still SSIs suffer from marketing difficulties as their products
are often unstandardised and of variable quality. No scientific market research is carried out by SSIs due to poor data base. Installed capacity, level of production, market information and other information required for market research are not available for SSI products. Therefore, Government intervention is needed to eliminate these imperfections by improving the marketing network and bringing producers and dealers into close contact with one another. The Government has taken some steps:

(a) In order to provide guarantee for sale, the Government gives preference upto 15 per cent on some of the products sold by the small firms.

(b) The National Small-Scale Industries Corporation assists small firms in obtaining a greater share of govt. and defence purchases but does not take marketing responsibility.

(c) NSIC established in 1955 has helped in the establishment of 21,384 small-scale units besides securing purchase orders for small industries from the Director-General of Supplies and Disposals.

(d) The NSIC would concentrate on marketing of mass consumption items under common brand name.

(e) An expert development centre would be set up in SIDO to serve the small-scale industries through its network of field offices to promote exports.

(viii) Technical Assistance: The growth of SSIs is obstructed by the present low level of technology and shortage of trained, experienced and competent supervisory personnel. Realising the
need for less expensive training and consultancy service for achieving wider geographical dispersal of small enterprises all over the country, the Government has taken these steps:

(a) Central Small-Scale Industries Organisation (CSIO) through its Service Institutes and Extension Centres, provides a staff of technically qualified people whose job is to advise the small entrepreneurs to technical problems faced by them.

(b) IDBI (Industrial Development Bank of India) took the initiative in the early seventies to promote Technical Consultancy Organisations (TCOs) and Institutes for Entrepreneurship Development (IEDs). TCOs provide a total package of consultancy services to entrepreneurs covering all stages in project cycle.

(c) Entrepreneurship Development Institute of India was set up in Ahmedabad in 1983 and Institute of Entrepreneurship Development was established in backward states like Bihar, Orissa, Uttar Pradesh, Assam. Training cum production centres have been set up in the North-Eastern states to provide extension services in the area of training and consultancy.

(d) SIDBI has also contributed in training first generation entrepreneurs.

(ix) Industrial Estates: An industrial estate means a place to provide on rental basis, good accommodation and other basic common facilities to group of small entrepreneurs who would otherwise find it difficult to secure these facilities at a reasonable
price. The creation of industrial estates which includes industrial areas and development of plots and industrial sheds for allotment to SSI entrepreneurs was initiated in 1955. It was a Centrally Sponsored Programme to be implemented through State/UT Governments. The creation of industrial estates has following objectives:

(i) To attract entrepreneurs to set up small industries,

(ii) To shift existing units to industrial areas provided with infrastructure facilities like water, electricity, developed roads, banks, canteen, watch and ward, communication facilities etc.

(iii) To achieve decentralised development in rural areas, develop sub-contracting relationships and to establish common facility centres.

The first industrial estate was established in Okhla (near Delhi) in 1957 and since then the programme continued till 1979 with the assistance from Central Government of India and 796 industrial estates were established by then. After 1979, the states took over the activity of promoting industrial infrastructure and inducing SSIs to shift out of non-conforming areas to such areas which were providing wide variety of facilities including common production and testing facilities. These facilities included:

(i) subsidy on rent for factory accommodation.

(ii) allotment of sheds an hire-purchase basis as well as on outright sale,
(iii) incentives like concessional charges for water and power,
(iv) exemption from Sales tax and Octroi duty,
(v) transport subsidy etc.

However industrial estates programme did not provide facilities like separate power generation plants in the developed area, common effluent treatment plans, waste disposal, pollution control devices etc. However, the performance of industrial estates has not been commendable because of:

(i) Wrong location,
(ii) Unsuitability of sheds to the needy,
(iii) Underutilisation of capacity
(iv) Occupation of sheds by government agencies,
(v) Opposition by large or medium scale units.

(x) **Excise Relief:** For SSIs the first Rs. 30 lakhs turnover is exempt from levy. From Rs. 30 lakhs to 50 lakhs, duty is levied at normal rate less 10 per cent, subject to 5 per cent advalrom. For clearance beyond Rs. 75 lakhs turnover, normal duty is payable. Concessions can be enjoyed only when total clearance does not exceed Rs. 2 crores. This excise exemption limit has been raised to Rs. 3 crores sales from Rs. 2 crores sales in the budget for 1995-96. Besides, excise rates have been reduced on a number of items that go into SSI production.

(xi) **Miscellaneous Programmes**

(a) As per Government policy, around 589 items are reserved for SSI production. They are also given price preference in
Government purchases. There are important institutional buyers like Army Purchase Organisation (APO), Canteen Stores Department (CSD) for defence services, as well as hospitals, schools, hotels and restaurants who make large purchases. They also enforce strict quality control through the laboratories.

(b) A separate ministry of Small Scale Industries and Agro & Rural Industries was established by the Government in 1999. Both at the federal and states levels, host of institutions are functioning to promote small sector.

(c) To provide access to the capital market and to encourage modernisation and technological upgradation, it was decided to allow equity participation by other industrial undertaking in SSI, not exceeding 24 per cent of the total shareholding. This would provide a powerful boost to ancillarisation and sub-contracting leading to expansion of employment opportunities.

(d) Factoring services have been introduced by State Bank of India in Western India in collaboration with Small Industries Development Bank of India (SIDBI) to solve the problems of delayed payments to small industries. Factoring services means that SIDBI or SBI will buy the manufacturer’s invoices from SSI units and take the responsibility for collecting payments due to them by charging a commission.

(e) Support from National Equity Funds will be given for projects upto Rs. 10 lakhs.

(f) Single window loans will cover projects upto Rs. 20 lakhs.

(g) In August 2000, the Government launched a Credit Guarantee Scheme to increase the flow of bank credit to small and
medium enterprises and to resolve the issue of collaterals. Under the scheme, all loans extended by banks to SME borrowers upto Rs. 2.5 million and where no collaterals have been obtained, would qualify for guarantee cover.

(h) The SENET or Small Enterprises Information and Resources Network has been launched with the help of INSME of Italy. The main objective of the portal is to create an electronic network for small and medium enterprises, Central/State Governments, other agencies in the promotion and development of SME sector, national/state level industry association, NGOs and entrepreneurs of SENET Scheme.

(i) To promote the quality of handloom sector, Janta Cloth Scheme will be replaced by omnibus project scheme under which substantial funds will be provided for modernisation of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.

2.12 POLICY INITIATIVES IN SSI SECTOR DURING 2004-05

- The National Commission on Enterprises in the Unorganized/Informal Sector was set up in September 2004. The Commission will, inter-alia, recommend measures considered necessary for improvement in the productivity of these enterprises, generation of large scale employment opportunities on a sustainable basis, linkage of the sector to institutional framework in areas like credit, raw material supply, infrastructure, technology upgradation, marketing facilities and skill development.
85 items reserved for exclusive manufacture in the SSI sector were deserved in October 2004. The total number of reserved items not stands at 605.

To facilitate technology upgradation and enhancing competitiveness, the investment limit (in plant and machinery) has been raised in October 2004, from Rs. 1 crore to Rs. 5 crore, in respect of 7 items of sports goods, reserved for manufacture in the small scale sector.

The Small and Medium Enterprises (SME) Fund of Rs. 10,000 crore was operationalised by the SIDBI since April 2004. Eighty percent of the lending from this fund will be for SSI units, at interest rate of 2 per cent below the prevailing PLR of the SIDBI.

The Reserve Bank of India enhanced the composite loan limit for the SSI sector to Rs. 1 crore from Rs. 50 lakh.

With a view to integrate small and medium enterprises, facilitating their growth and enhancing their competitiveness (including measure for freeing the sector from “Inspector Raj”) a suitable legislation is being finalised.

A new “Promotional Package for small enterprises” is being formulated. This would include measures to provide adequate credit, incentives for technology upgradation, infrastructural and marketing facilities etc.

2.13 POLICY INITIATIVE IN SSI SECTOR DURING 2005-06

1. 108 items reserved for exclusive manufacture in SSI sector were dereserved on Feb. 28, 2005. The number of items now stands
at 497. Among them, 30 items are in the category of textile products, including hosiery.

2. The provision for Promotion of SSI scheme under capital Subsidy scheme has been enhanced to Rs. 173 crore in 2005-06 as compared to Rs. 13 crore in 2004-05.

3. Small industries Development Bank of India has established a SME of Growth fund with a corpus of Rs. 500 crore. Small and medium units in knowledge-based industries such as pharma, biotech and IT will be provided equity support through this fund.

4. A new scheme called, “Manufacturing competitiveness programme” will be launched which will strengthen the operations of SSI sector and sharpen their competitiveness.

5. A 10% capital subsidy scheme is introduced for Textile Processing Sector in addition to the normal benefits available under the TUF scheme.

6. Two schemes namely Life Insurance Scheme for handloom weaves and a health insurance package for the weaves have been introduced.

7. The ceiling for SSI exemption based on turnover from the level of Rs. 3 crore has been increased to Rs. 4 crore per year.

2.14 POLICY INITIATIVES IN SSI DURING 2006-07

1. Employment : 5 Industries, namely, textiles, food processing, petroleum, chemicals and petro-chemicals, leather and automobiles, with employment opportunities have been identified in manufacturing sector.
2. **Textiles:** Fund allocation for Technology Upgradation Fund (TUF) Scheme increased from Rs. 435 crore to Rs. 535 crore. Rs. 189 crore has been allocated for Scheme for Integrated Textiles Parks (SITP); Jute Technology Mission will be launched; a National Jute Board shall be established.

3. **Handlooms:** 100 more clusters to be added to cluster development as a cost of Rs. 50 crore; provision for handloom sector shall be increased to Rs. 241 crore from Rs. 195 crore; a handloom ‘mark’ will be launched.

4. **Small Enterprises:** 180 items identified for dereservation; corpus of Credit Guarantee Fund to be raised to Rs. 2,500 crore from Rs. 1132 crore in five years; Credit Guarantee Trust for Small Industries to reduce guarantee fee from 2.5% to 1.5% for all loans; 10 schemes drawn up under Five Year National Manufacturing Competitiveness Programme.

### 2.15 SUMMARY

Government has been active with regards to development of SSI in the form of various Industrial Policy Resolutions. Small Scale Industrial Policy in 1991 assigned special role of small scale industries which changed to business environment of our country. The Government adopted various measures to attract people to start their own units. Such attractions include changes in reservation policy, incentives to exporters, revision of investment limit to SSIs, modernisation programmes and many other types of assistance.

### 2.16 KEYWORDS
**Industrial Estate:** It means a place to provide an rental basis good accomodation and other basic common facilities to group of small entrepreneurs at a reasonable price.

**Equality Argument:** It states that SSI help in dispersal of income more widely than income generated in few large enterprises.

**Small Scale Industrial Policy, 1991:** This policy emphasis to provide free access to capital, technology and market so as to include greater industrial efficiency and international competitiveness.

**2.17 SELF ASSESSMENT QUESTIONS**

1. Enumerate the various policies of the Government towards SSI after independence of India.

2. What are the various initiatives taken by the Government of India for SSI during five year plans.

3. Explain the various arguments put forth in the Industrial Policy Resolution, 1956 in favour of SSI.

4. Comment upon the post liberalisation scenario for small enterprises in India.
2.18 SUGGESTED READINGS


