
UNIT 16 SMALL SCALE INDUSTRIES

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16.0 OBJECTIVES

After studying this unit you should be able to :

- explain the nature of small scale industries;
- define a small scale industrial unit;
- discuss the rationale for small scale industries;
- describe the institutional framework for the development of small scale industries;
- review the industrial policies and programmes towards small scale industries;
- explain the growth of small scale industries in India; and
- analyse the problems and prospects of SSIs.

16.1 INTRODUCTION

The small scale sector constitutes a very important segment of the Indian economy. Its importance has been recognised in India as a solution for the problems of scarcity of capital and wide spread unemployment and underemployment. Its contribution to employment is next to agriculture in India. The small scale sector contributes nearly 35% of the gross value of output in the manufacturing sector. This sector accounts for more than 50% of India's exports earnings by way of different products if its indirect export contribution is also taken into account. Its contribution in terms of number of units, production and employment is quite phenomenal. This is the reason why government has been giving high priority to SSIs in its industrial policies and five year plans. In this unit you will learn about the nature and rationale of small scale industries, the evolution of institutional support structure to facilitate their growth, and the policies and programmes for their promotion in India. You will also learn about the problems and prospects of SSIs in the recent global scenario.

16.2 NATURE AND DEFINITION OF SMALL SCALE INDUSTRIES

Most of the small scale industrial units are small in size and have limited financial resources. The entrepreneur himself is the owner and performs all managerial functions. In some cases he may admit a partner who may contribute part of the capital or provide technical assistance in running the business. At times, they may also adopt corporate form of organisation, but their number is negligible and most of them are private limited companies. Thus, personal character of organisation and management remains the main feature of small scale sector. It is observed that majority of the small scale entrepreneurs lack formal education and training, and have limited financial resources. They usually depend upon their own funds and borrowings from friends and relatives.

These units are labour intensive in nature and do not use sophisticated technology. Such units, can be established even in remote rural areas. This helps in achieving balanced regional development, equitable distribution of economic power and widening the industrial base throughout the country

The **definition** of small scale industries varies from country to country, and is based upon factors like number of persons employed, amount of investment, amount of production/turnover, location, technology, etc. Most of the countries have taken the number of persons employed and the amount of investment as the basic criteria for defining the concept of small scale industry. For example, in USA and UK 'employment' criteria, in Indonesia and Malaysia 'investment' criteria, and in Japan, Korea, and Philippines both the 'investment' and 'employment'; criteria are used for defining the small scale units. In China, 'turnover' is used as the basis for distinguishing between small scale and large scale units. In India, both 'investment' and 'labour employed' are taken into account to define the concept of small scale industry. The definition has undergone many changes from time to time as shown in Table 16.1.

Table 16.1 : Evolution of the Definition of Small Scale Industry

Period	Investment Criterion		Employment Criterion
	Small Scale Unit	Ancillary Unit	
Prior to 1960	Fixed capital investment upto Rs. 5 lakh	—	Employment upto 50 workers per shift if using power or upto 100 workers per shift if not using power
1960	Gross value of fixed assets upto Rs. 5 lakh	Gross value of fixed assets upto Rs. 10 lakh	Employment criterion dropped
	Investment in Plant and Machinery	Investment in Plant and Machinery	
1966	Upto Rs. 7.5 lakh	Upto Rs. 10 lakh	-
1975	Upto Rs. 10 lakh	Upto Rs. 10.5 lakh	-
1977	Upto Rs. 10 lakh	Upto Rs. 10.5 lakh	-

1980	Upto Rs.20 lakh	Upto Rs 25 lakh	-
1985	Upto Rs.35 lakh	Upto Rs.45 lakh	-
1990	Upto Rs.60 lakh	Upto Rs.75 lakh	-
1997	Upto Rs.3 crore	Upto Rs. 3 crore	-
1999	Upto Rs.1 crore	Upto Rs.1 crore	-

Prior to 1960, a small scale unit had been defined as an undertaking with a gross investment in fixed assets of less than Rs. 5 lakh and employing less than 50 workers per day if using power or less than 100 workers per day if not using power. In 1960, the employment criteria was dropped from the definition and the concept of ancillary unit was introduced with an investment limit upto Rs. 10 lakh. In 1966, the concept of gross investment in fixed assets was replaced by investment in plant and machinery, and the limit was raised to Rs. 5 lakh for small scale units and Rs. 10 lakh for ancillary units. This limit was raised to Rs. 10 lakh in small scale units and Rs. 15 lakh in ancillary units in 1975. The concept of tiny units was introduced in 1977 which was defined in terms of investment in plant and machinery upto Rs. 1 lakh. Under the Industrial Policy Statement of 1980, this limit was further raised to Rs. 20 lakh for small scale units, Rs. 25 lakh for ancillary units and Rs. 2 lakh for tiny units. This limit has been continuously raised upwards and, with effect from 24.12.1999, it has been fixed at Rs. 1 crore for small scale and ancillary units and Rs. 25 lakh for tiny units. Thus,

Small Scale Unit refer to an industrial undertaking in which the investment in plant and machinery, whether held on ownership terms or on lease or on hire-purchase, does not exceed rupees one crore.

A unit with an obligation to export at least 30% of its annual production by the end of the third year from the date of commencement of production and having investment ceiling as prescribed for small scale undertakings, i.e., upto Rs. 1 crore in plant and machinery, is termed as **export oriented small scale industrial unit**.

Ancillary Industrial Undertaking refers to an industrial undertaking which is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediaries or the rendering of services and undertaking supplies or renders or proposes to supply or render, not more than 50% of its production or services, as the case may be, to one or more other industrial undertakings and whose investment in plant and machinery, whether held on ownership terms or on lease or on hire-purchase, does not exceed rupees one crore.

It should be noted that no small scale or ancillary industrial undertaking shall be the subsidiary of, or owned or controlled by, any other industrial undertaking and that in calculating the value of plant and machinery, the original price thereof shall be taken into account irrespective of whether the plant and machinery is new or second hand.

Tiny Enterprise refers to an industrial undertaking where the investment in plant and machinery does not exceed Rs. 25 Lakh, irrespective of its location.

Industrialisation plays a significant role in the economic progress of any country. The objectives of industrialisation are high growth rates, employment generation and equitable distribution of income and wealth so as to raise the per capita income and standards of living of the people of any country. In developed countries, the income, output and resources increase with adoption of new technology. But, in developing countries like India, the backward regions are characterised by subsistence economy with stagnation of technology, low productivity and low income. Therefore, there is a need for rapid industrialisation of these regions and incorporation of suitable combination of labour intensive and capital intensive techniques in the process of industrialisation. Industrialisation through large scale industries alone may not solve the unemployment problems to a significant level. Hence, the strategy of industrialisation must aim at utilising the resources as well as the skills to diversify employment structure and to create high incomes for further development. This can be achieved through the development of small scale industries which have high potential for employment generation with less capital.

Emphasizing the importance of small scale sector in the economic development of India, the Industrial Policy Resolution 1956 stated, "they provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income, and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country". It thus placed the following arguments in favour of small scale units.

- (a) **The employment argument :** This argument is based on the assumption that small enterprises are labour intensive and create more employment per unit of capital employed. It is observed that while the output employment ratio is the lowest in the small scale sector, its employment generating capacity is eight times that of large scale sector. In view of the fact that a developing economy is characterised by high incidence of unemployment, small enterprises need to be encouraged.
- (b) **The equality argument :** This argument suggests that the income generated in a large number of small enterprises is dispersed more widely in the community than the income generated in a few large enterprises. In other words, the income benefit of small enterprises is derived by a large population while the large enterprises encourage more concentration of economic power. Thus, small scale sector will not only lead to equitable distribution of income but reduce the concentration of economic power as well.
- (c) **The latent resources argument :** This argument suggest that small enterprises are able to tap latent and unutilised resources, encourage the growth of a class of small entrepreneurs which is more dynamic and efficient, and bring idle savings into productive investment.
- (d) **The decentralisation argument :** This argument impresses the necessity of regional dispersal of industries. It is observed that large enterprises are mostly concentrated in metropolitan cities. To prevent congestion in large cities the industrialisation must penetrate into smaller towns and remote corners of the country. This is possible by setting up small enterprises and promoting industrial growth in semi-urban and rural areas.

Small scale industries are, therefore, expected to play a key role in country's economic development with the advantages of low investment, high potential of employment

generation, decentralisation of industrial base and dispersal of industries to rural and semi-urban areas. They also help in promoting entrepreneurship and earning foreign exchange. These units are symbols of national identity. Various policies, provisions, procedures, schemes and programmes have been initiated from time to time for the development of this sector. Special attempts are also afoot to develop industrially backward regions in the country.

Check Your Progress A

- 1 Define small scale industry.
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.....
.....
- 2 What do you mean by ancillary unit ?
.....
.....
.....
- 3 Fill in the blanks.
 - (a) The investment limit in plant and machinery for tiny enterprises is Rs. _____.
 - (b) The small scale sector helps in promoting _____ and earning _____.
 - (c) The concept of tiny units was introduced during the year _____.
 - (d) The contribution of small scale sector in employment generation is next to _____.
 - (e) Small units are symbols of _____.

16.4 INSTITUTIONAL FRAMEWORK FOR SMALL SCALE INDUSTRY (SSIs)

The small scale sector constitutes a very significant segment of India's economy and, as stated earlier, accounts for nearly 35% of the gross value of output in the manufacturing sector. About 50% of India's total exports are from this sector if indirect exports are also taken into account. Keeping in view its performance, the government has given high priority to small scale industries and has set up the Ministry of Small Scale Industries Sector, Agro and Rural Industries for the formulation and implementation of policies and programmes for the development of small scale industries. Over a period, the government has evolved an extensive institutional network for the promotion and growth of small scale industries. These institutions are spread at different levels – national level, state level and district level – to oversee different aspects of the development programmes in small scale sector.

16.4.1 National Level Institutions

Small Industries Development Organisation (SIDO)

The Small Industries Development Organisation (SIDO), an apex body, is under the Ministry of Small Scale Industries Sector, Agro and Rural Industries. It acts as a policy

making coordinating and monitoring agency for the development of small scale industries in the country. It maintains close liaison with the Central ministries, Planning Commission, state governments, financial institutions and other organisations connected with the development of small scale industries. SIDO was set up in 1954 and functions through a network of institutions. It has 28 Small Industries Service Institutes (SISIs), 30 branch SISIs, 4 Regional Testing Centres, 2 Footwear Training Centres, 1 Production Centre, 7 field testing stations, 6 product-cum process development centres and 3 training institutes. SIDO provides the following services for the promotion and development of small scale industries.

- 1 It gives advice to the government in the formulation of policies.
- 2 It provides techno-economic and managerial consultancy as well as common facilities and extension services.
- 3 It facilitates technology upgradation, modernisation, quality improvement and infrastructure.
- 4 It helps in the development of human resources through training and skill upgradation.
- 5 It coordinates the policies and programmes for the development of small scale industries as ancillaries to large and medium scale industries.
- 6 It conducts entrepreneurship development programmes through the SISIs and their branches.
- 7 It provides export market information, export consultancy and organises training courses and seminars for promoting exports.

To face the challenges of globalisation and disseminate information regarding new opportunities emerging from the World Trade Organisation (WTO) agreements for small scale entrepreneurs, the Small Enterprise Information and Resource Centre Network (SENSET) was launched in April, 1997 by SIDO. Five Technology Nodal Centres and 16 User Centres have been identified in 20 major sub-sectors of small scale sector in different parts of the country.

Small Industries Service Institutes (SISIs)

Small Industries Service Institutes provide industrial extension services for increasing production, reducing costs and improving quality of products. There are 28 SISIs and 30 branch SISIs and 42 Common Facility Workshops set up in state capitals and other industrial cities all over the country. The main activities of these institutions are :

- 1 It provides technical and managerial consultancy to existing and prospective entrepreneurs.
- 2 It conducts techno-economic surveys in select areas and industries to identify new industrial opportunities.
- 3 It emphasises the implementation of its reports on programmes of modernization, energy conservation, quality control, upgradation and pollution control.
- 4 It organizes training programmes on technical and managerial issues.
- 5 It conducts entrepreneur development programmes as well as management development programmes to motivate new entrepreneurs.
- 6 It provides common facility services and vocational training in the workshops and through mobile demonstration vans.

National Small Industries Corporation (NSIC)

The National Small Industries Corporation was set up in February, 1955 with a view to promote and foster the growth of small scale industries. The Corporation is directly operating different programmes through 8 regional offices, 5 technical service centres, 2 foreign offices, 2 software technology parks, 3 technical services extension centres, and 17 branch offices located in all the states.

The Corporation provides assistance to small scale industries as follows :

- 1 Supplying machinery on easy hire-purchase terms,
- 2 Facilitating competent small scale units in government purchase programme,
- 3 Providing marketing assistance in both domestic as well as in international markets,
- 4 Undertaking institutional assistance programme in other countries,
- 5 Procurement and supply of indigenous and imported raw materials,
- 6 Exploring the market opportunities and secures orders for bulk quantities, and
- 7 Arranging buyer-seller meets to develop linkages between various organisations from different parts of the country.

The major schemes of assistance are briefly discussed hereunder.

Composite Term Loan Scheme : The Corporation has started a composite term loan scheme for the benefit of existing and prospective small scale entrepreneurs to acquire land and building, machinery and equipment and working capital under one roof. Under hire-purchase scheme, it supplies machinery on easy financial terms to modernise their existing as well as new machinery and equipment. To create a sound and formidable entrepreneur base, special focus is given to women entrepreneurs, weaker sections, handicapped and ex-serviceman and SC and ST entrepreneurs. Under equipment leasing scheme, it facilitates the entrepreneurs to expand their production capacity and upgrade their technology. Under working capital finance scheme, working capital is provided to small scale units on selective basis to enable them to meet their expenditure on consumable stores, spares and works overheads.

Raw Materials Assistance : The small scale industrial units are facing acute competition from large scale entrepreneurs in procuring raw materials. The Corporation, through its distribution system throughout the country, makes the availability of scarce and controlled raw materials to the genuine small scale entrepreneurs. It also provides facilities such as raw materials depots or godowns on "off the shelf basis" in different parts of the country. For the import of raw materials, it issues 'letter of credit' on behalf of the small units.

Marketing Support Programme : The Corporation has devised a number of programmes to protect the small scale units from intensive competition from large scale industries in the field of marketing both in and outside the country. The marketing support programme includes the following:

- (i) *Internal Marketing Programme :* The objective of this programme is to ensure fair margin to producers by standardization and quality control of the products, to give wide publicity to the products through common brand names, and to supply quality goods to the consumers at fair prices. It also secures bulk orders and distributes them to the small units depending upon their production capacity. To

give exposure to the products of small scale units it has established marketing development centres all over the country.

- (ii) *Tender Marketing* : The Corporation participates in bulk tenders of central and state governments and public sector enterprises on behalf of the small scale units. On receipts of the orders, it distributes them to the units on whose behalf it had participated in tenders, the items produced under its supervision, and ensures timely delivery and quality of products. Small scale industrial units are exempted from depositing earnest money and can participate in large and global tenders. To reap the benefits under this scheme, the small scale entrepreneurs should register their units with the District Industrial Centre or Directorate of Industries.
- (iii) *Integrated Marketing Support* : The scheme has been introduced with a view to solve the problem of delayed payment by buyers against the supplies made by small scale units. Under this scheme, the small scale industrial units are eligible to discount its bills relating to supplies made by them upto a certain limit.
- (iv) *Government Stores Purchase Programme* : This programme was introduced with a view to assist small scale units to get a fair share of the total purchases made by the government and its various departments. To get benefits under this scheme, the small scale industrial units are to be registered with the Corporation and produce goods in conformity with the standards laid down by the government. The registered units are only eligible to participate in government stores programme and can reap the benefits like free supply of tender forms, exemption from payment of earnest money, security deposits, etc.
- (v) *Single Point Registration Scheme* : The purpose of this scheme is to avoid multiplicity of registration with various government agencies. The units registered with NSIC are considered at par with those registered with the purchasing agency. The technical and commercial competence of the units are verified before registration in relation to other purchasing agencies and automatic registration will be given to those which are registered with NSIC. The units registered under this scheme will get all benefits like advance tender intimation by DGS & D, exemption from payment of earnest money, issue of competence certificate, price preference, etc.
- (vi) *Export Assistance* : The Corporation assists small scale industries to sell their products in international markets through single window assistance approach. It provides complete package of export assistance in addition to organising trade fairs, buyer and seller meets, procurement of samples, of negotiations with foreign buyers, etc.

Miscellaneous Services : The miscellaneous services of NSIC to small scale industries include : (i) setting up of software technology parks for 100% export of software items, (ii) establishment of technical service centres to provide technical support, and (iii) assistance in negotiations with overseas buyers for getting export orders etc.

National Institute of Small Industry Extension Training (NISIET)

The National Institute of Small Industry Extension Training was set up at Hyderabad in 1960. It is an apex institution in India to provide value added services in training and research, consultancy and extension. It was set up to provide training to the personnel of central and state governments to promote small scale industry. In 1962, it was converted into autonomous institution called the Small Industry Extension Training Institute. In 1984, the Institute was renamed as National Institute of Small Industry Extension Training.

It conducts training programmes in the area of development, promotion and management of small, rural and artisan industries, preparation of feasibility reports, project reports, training methods, etc. It designs the training programmes to meet the general and specific needs of small and medium enterprises. It helps not only the Indian entrepreneurs but also the entrepreneurs in the developing countries around the world. The Institute's services are utilised for consultancy by central and state government departments in their programmes for development of scale industries.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

This is an apex body started functioning from July, 1983 for conducting entrepreneurial development programmes organised by various entrepreneurship development institutes in the country. The Institute organises training programmes for motivators, trainers and entrepreneurs for both national and international participants. It also coordinates training activities of various institutions and agencies. It prepares model training syllabus for various organisations engaged in training activities. It formulates scientific selection procedures, developing training aids, manuals and tools facilitating and supporting state and central governments, and other agencies in executing entrepreneur development programmes.

Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India was set up in April 1990 as a subsidiary of Industrial Development Bank of India. It was delinked from IDBI from March, 2000. SIDBI is the principal financial institution for the promotion, financing and development of small scale sector and coordinates the functions of institutions engaged in similar activities. It formulates suitable strategies for providing financial and other support services to small scale industrial units throughout the country. SIDBI provides both direct and indirect financial assistance and also promotional and developmental activities of small scale industrial units. Direct assistance is provided with the object of fulfilling the gaps in the existing credit delivery system of the primary lending institutions. The range of activities covered under direct assistance are : setting up of new units, expansion, technological upgradation/modernization, shipment/post-shipment credit, marketing, finance, acquisition of ISO-9000 certification, etc.

Indirect assistance to small scale units is provided through primary lending institutions by way of refinance and discounting of bills. It also provides support to intermediaries (SFCs/SIDCs/SSIDCs/Banks) and non-banking financial institutions which are engaged in the promotion and development of small scale industries. Under promotional and developmental activities, SIDBI operates a number of schemes and programmes. It provides loans and grants to different agencies for the promotion and development of small scale industries. For modernisation and quality upgradation of small scale units, the Bank has introduced a number of schemes like Technology Development and Modernization Fund Scheme (TDMR), ISO-9000 scheme to improve their competitive strength in international markets, development of industrial infrastructure for small scale sector, micro credit scheme, etc. For marketing the products of small scale units, the Bank has also created Marketing Development and Modernization Fund (MDAF). Under this scheme finance is available for innovative marketing projects, marketing research, warehousing facilities, etc. SIDBI is also operating special schemes of assistance to women entrepreneurs like Refinance Scheme for Women Entrepreneurs, Mahila Udyam Nidhi, Mahila Vikas Nidhi, Micro

Credit Schemes, etc. Under these schemes, finance is available to women entrepreneurs on liberal terms depending upon their skills and socio-economic status.

16.4.2 State Level Institutions

The primary executive responsibility for the development of small scale industries and implementation of the various programmes lies with the state governments. Most states set up the following institutions for the promotion of small scale industries.

Directorate of Industries

At the state level, Directorate of Industries is the apex body for coordinating and implementing various programmes for small scale industries. It implements the state government policies and directives for promoting industrial development. The Central Government policies serve as guidelines in framing the policies. It provides various facilities, concessions and incentives to small scale industrial undertakings. These are as follows :

- 1 It provides land and sheds in industrial estates on easy terms.
- 2 It provides necessary infrastructure like power, water, communication, roads etc. at the sites.
- 3 It renders financial assistance for preparation and implementation of reports.
- 4 It gives subsidy on capital investment to those units which are established in backward regions at varying rates.
- 5 It provides subsidy for obtaining technical know-how and testing their products in approved test houses.

District Industries Centres

The District Industries Centre's programme was initiated in May, 1978 with the object of providing different services and support to village and small entrepreneurs under one roof and to generate greater employment opportunities particularly in rural and backward regions. There are 520 DICs covering almost one for each district throughout the country. DICs are jointly sponsored by central and state governments. The services provided by DICs include : supply of machinery and equipment, provision of raw materials and inputs, arranging credit facilities, marketing and consultancy, and dissemination of information.

State Financial Corporations

State Financial Corporations came into existence under the provisions of the State Financial Corporation Act, 1951. At present, there are 18 State Financial Corporations having branches almost in all the districts in each state. The main purpose of SFCs are to finance and promote industrial enterprises in each state. They provide financial assistance by way of term loans to small scale industries and operate a number of schemes of refinance and equity type of assistance to small scale industries. Table 16.2 shows the assistance extended by SFCs to small scale industries during the period 1986-87 to 1999-2000.

**Table 16.2 : Assistance to Small Scale Industries by SFCs
during 1986-87 to 1999-2000**

(Rs. in crores)

Years	Total Assistance	Small Scale Industries	Small Scale Industries as a percentage of Total
1986-87	1211	998	82.4
1987-88	1305	1004	76.9
1988-89	1391	1118	80.4
1989-90	1614	1263	83.4
1990-91	1864	1492	80.0
1991-92	2190	1872	85.5
1992-93	2016	1686	83.6
1993-94	1909	1664	81.8
1994-95	2702	1920	71.1
1995-96	4189	2513	60.0
1996-97	3545	2116	59.7
1997-98	2629	1768	67.3
1998-99	1864	1365	73.2
1999-00	2204	1617	73.4
	32,328	22187	68.6

Out of the aggregate assistance of Rs. 32,328 crore provided by SFCs, the share of small sale industries was Rs. 22,187 crore which constitutes 68.6% of the total assistance. The corporations also provide assistance to new industrial undertakings and are focusing more on investment and capital market related operations.

State Small Industries Development Corporations (SSIDCs)

State Small Industries Development Corporations were established in various states under the Companies Act, 1956 for the development of small, tiny and village industries in their respective states. They undertake a variety of activities for the benefit of small sale units such as :

- 1 Procurement and distribution of scarce raw materials,
- 2 Supply of machinery on hire-purchase basis,
- 3 Providing marketing assistance in domestic and international markets,
- 4 Construction of industrial estates, provision of allied infrastructure facilities and their maintenance,
- 5 Extending seed capital and management assistance,
- 6 Procuring bulk orders for and on behalf of small scale units through participation in national/international trade fairs and also from departmental undertakings, and
- 7 Providing guidance/consultancy to entrepreneurs, and organising production-cum-training centres and buyer-seller meets.

Other State Level Agencies

There are also other state level agencies that extend facilities for the promotion and development of small scale industries like State Industrial Development/Investment Corporation, State Cooperative Banks, Regional Rural Banks, State Export-Import Corporation, Agro Industries Corporations, etc. In addition, there are also a number of industry associations which provide common facilities and cooperative ventures in the area of technology, marketing and other support services.

16.5 GOVERNMENT POLICY TOWARDS SMALL SCALE SECTOR

The small scale sector has always been given a prominent place in the successive industrial policies. The Government of India in its first Industrial Policy Resolution (IPR) 1948, emphasised the role and importance of small scale industries in India's economic development. In 1954, the Government of India set up various institutions for the development of village and small scale industries. The Industrial Policy Resolution 1956 re-emphasised the role of small scale industries in the development of the national economy as it offers some distinct advantages such as immediate prospect of large scale employment, mobilization of local resources of capital and skills, more equitable distribution of the national income, etc. The Policy underlined the need for modernization and upgradation of SSIs and the necessity to improve the competitive strength of this sector. Subsequently, the Government of India established a network of industrial estates throughout the country and reserved a number of products for exclusive production in the small scale sector. The Policy also kept the entire small scale sector out of the preview of industrial licensing.

The Industrial Policy Statement of 1977 which emphasised on labour intensive production methods, regional development and ensuring equitable distribution of national income, substantially increased the number of items exclusively reserved for the small scale sector to 504 as against 180 items in the past. The Industrial Policy Statement of 1980 laid guidelines for strengthening the existing facilities for SSIs, optimum utilisation of installed capacity with an emphasis on industrially backward areas, export oriented units, strengthening of agricultural base, etc. The Industrial Policy 1990 introduced important measures like raising of investment ceiling in plant and machinery for SSIs, providing subsidy to the SSI units established in rural and backward areas and women entrepreneurs, etc.

16.5.1 New Industrial Policy for Small Scale Sector

On August 6, 1991 the Government announced a separate industrial policy for the small scale sector for the first time. Till then, the policy measures for SSIs formed part of general industrial policy. The new policy has conferred greater focus on the promotion and development of small scale sector. Its main features are :

- 1 To allow equity participation upto 24 per cent by other industrial undertakings including foreign companies
- 2 To encourage complementarity in production programmes of large and small enterprises
- 3 To accord priority to small and tiny sector in allocation of indigenous raw materials
- 4 To provide easier access to institutional finance
- 5 To recognise SIDO as the nodal agency to support SSI in export promotion
- 6 To encourage sale of SSI products under common brand names
- 7 To widen the scope of the National Equity Fund to cover projects upto Rs. 10 Lakh for equity support
- 8 To enlarge the Single Window Loan Scheme to cover projects upto Rs. 20 lakh with working capital margin upto Rs. 10 lakh and channelising composite loan through commercial banks
- 9 To allow private industry to set up industrial estates

- 10 To include industry related service enterprises as small scale industries
- 11 To enhance the investment limit in plant and machinery from Rs. 2 lakh to Rs. 5 lakh in respect of tiny enterprises irrespective of their location
- 12 To give priority to SSIs in Government Purchase Programme
- 13 To give relaxation in certain provisions of labour laws
- 14 To introduce a Limited Partnership Act to enhance the supply of risk capital

A Scheme of Integrated Infrastructure Development of small scale industries was proposed to facilitate the location of industries in rural and backward areas. It was also proposed to set up Technology Development Cell and Export Development Cell in SIDO for the purpose of improving productivity, competitiveness and export activities of SSIs.

To cope up with the emerging challenges of globalisation, the following policy initiatives were taken later during 1999.

- 1 The annual turnover limit for the calculation of working capital limit was raised to Rs. 5 crore from Rs. 4 crore, and the ceiling limit for composite loan scheme was also increased to Rs. 5 lakh.
- 2 Credit insurance scheme was launched to increase the flow of credit to SSIs.
- 3 The industrial units located in rural areas were allowed excise exemption on third party branded goods and the units were allowed to pay excise duty on a monthly basis.
- 4 The definition of small scale industrial unit was revised by reducing investment limit from Rs. 3 crore to 1 crore.
- 5 Special package of assistance to the small scale industrial units in northern regions was given exemption from excise duty for 10 years from the date of commencement of production.

16.5.2 A Comprehensive Policy Package, 2000

A comprehensive policy package for the small scale sector consisting of the following elements was announced by the Prime Minister on August 30, 2000.

- 1 Raising the exemption limit for excise duty from Rs. 50 lakh to Rs. 1 crore to improve the competitiveness of small scale sector.
- 2 Providing credit linked capital subsidy of 12 per cent against loans for technology upgradation in specified industries.
- 3 Conducting third census of small scale industries.
- 4 Raising the limit of investment in industry related service and business enterprises from Rs. 5 lakh to Rs. 10 lakh.
- 5 Construction of the ongoing scheme of granting Rs.75,000 to each small scale enterprise for obtaining ISO 9000 certification till the end of the Tenth Plan.
- 6 Providing for one time capital grant of 50 per cent on reimbursement basis to SSI associations for developing and operating testing laboratories.
- 7 Raising the limit for composite loans from Rs. 10 lakh to Rs. 25 lakh.
- 8 Constituting a group to suggest / recommend streamlining of inspection and repeat of redundant laws and regulations applicable to the sector.

- 9 Increasing the coverage of ongoing Integrated Infrastructure Development (IID) scheme to progressively cover all areas in the country with 50 per cent reservation for rural areas and 50 per cent of plots earmarked for the tiny sector.
- 10 Raising the family income limit from Rs. 24,000 to Rs. 40,000 per annum under the Prime Minister Rozgar Yojna (PMRY) which finances setting up of micro enterprises and generates employment for the educated unemployed.

16.6 PROGRAMMES FOR PROMOTION OF SMALL SCALE INDUSTRIES

Having evolved a comprehensive policy package for the promotion and growth of small scale industries, the government has taken various steps for the development of small scale sector, and several innovative schemes have been introduced for strengthening it. These are enumerated below :

Reservation of items for production : The policy of reserving certain product lines exclusively for the small scale sector was introduced in 1967 with 47 products. The number of such reserved items had increased to 814 by 2000-01. However, out of the reserved items, it was observed that as many as 200 were either not produced at all in the small sector or their production was insignificant. Hence, on June 29, 2001, 14 items related to leather goods, shoes and toys and in May 2002, 51 other items were dereserved, reducing the number to 749 items as on 1-6-2002. The Union Budget 2003-04 announced another dereservation of 75 items belonging to chemicals, leather, plastic and paper products.

Reservation of items for exclusive purchasing from the small scale sector : Under this policy, 409 items were exclusively reserved for purchasing by the government. The list was, however, reduced to 358 items in 1997. The needs of government departments for these items have to be met by purchases from the small scale sector. The Director General of Supplies and Disposal (DGS&D) deals with purchases from the small scale sector.

Incentives in backward areas : The Central Government has provided several incentives to enable entrepreneurs to establish industrial undertaking in backward areas. These incentives include : concessional finance, subsidy in fixed capital investment, preferential treatment in licensing etc.

Central excise duty exemption : The excise duty exemption scheme for small scale units was introduced in 1986-87. Under this scheme, full exemption from clearances upto Rs. 30 lakh in a year was being granted, and a flat rate of duty of 3% on clearances between Rs. 30 lakh to Rs. 50 lakh and 5% on clearances upto Rs. 100 lakh was being charged. With effect from September 20, 2000, the full exemption limit has been revised to Rs. 1 crore. Moreover, most of the state governments have granted sales tax exemption at varying degrees for a wide variety of SSI products.

Ancillary development of sub-contracting exchange : A sub-contracting exchange is a storehouse of data with regard to the capacities of the small scale units in terms of products manufactured/services rendered, and idle capacities available on the one hand and requirements of the buyer on the other. It also stores data about the specifications, class of accuracy, quantities, etc. The main objective of such data is to arrange match making between a buyer and seller in order to increase business opportunities. With the objective of promoting ancillarisation in the country, 28 SISIs have been equipped

with the facility of sub-contract exchanges located in 20 states. These exchanges promote interaction between small and large units, and also provide marketing support to small scale industries.

Programme on environment and quality management : SIDBI has launched a programme on environment and quality management to create awareness amongst SSI units on environment issues and to assist them to find out solutions to their problems. The main objectives of this programme are : (i) to make the SSI units aware of the environmental issues; (ii) to provide them necessary technical support to implement the projects; and (iii) to educate the small scale entrepreneurs about the environment regulations under which they are required to operate their units.

Industrial Estates Programme : The Industrial Estates Programme was launched in the year 1955 to encourage the promotion and development of small scale industries. These estates are intended to provide necessary infrastructural facilities for the development of small and medium scale industries.

Apart from the above schemes there are also other developmental programmes like trade fairs and exhibition, Prime Ministers Rozgar Yozana, Entrepreneurial Development Programme, Training Programme on Packaging the Exports, Self employment Programmes, etc. aimed at promotion and growth of small scale sector.

Check Your Progress B

- 1 What kind of role was emphasised for small scale industries in India's economic development by Industrial Policy Resolution, 1956.
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- 2 What were the policy initiatives taken in 1999 for small scale sector to cope with challenges of globalisation ?
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- 3 List four state level institutions that help the small scale sector
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- 4 Fill in the blanks.
 - (a) _____ is an apex body for the development of small scale industries.
 - (b) The institution which provides machinery on hire-purchase terms to small scale sector is _____.
 - (c) The principal financial institution which provides financial assistance to SSI is _____.

- (d) At state level _____ is the apex body for coordinating and implementing programmes for SSIs.
- (e) The District Industries Centre programme was initiated in _____.
- (f) _____ is the apex body which provides training and research, consultancy and extension in India.

16.7 GROWTH OF SMALL SCALE SECTOR

The small scale sector has played a vital role in the development of the economy and today it has emerged as a prominent sector in our economy. The products of this sector have been widely accepted in the foreign markets and as ancillary items for the large scale units in the country. Of late, more and more sophisticated items of consumption are being produced in this sector. The growth in small scale sector can be measured in terms of (i) industrial units, (ii) production volume, (iii) employment, (iv) amount of investment, and (v) volume of exports. Table 16.3 shows the growth of small scale sector in number, production, employment, investment and exports.

Table 16.3 : Growth of Small Scale Industries

Year	Number of Units (lakhs)	Production (Rs. In crores at current prices)	Employment (lakh persons)	Exports (Rs. in crores)
1975-76	5.46	11000	45.90	532
1980-81	8.74	28060	71.00	1643
1985-86	13.53	61228	96.00	2769
1990-91	19.48	165340	125.30	9664
1991-92	20.82	178699	129.80	13883
1992-93	22.46	209300	134.06	17784
1993-94	23.88	241648	139.38	25307
1994-95	25.71	298886	146.56	29068
1995-96	26.58	362656	162.61	36470
1996-97	28.03	411858	160.00	39248
1997-98	29.44	462641	167.20	44442
1998-99	30.80	520650	171.58	48979
1999-00	32.12	572887	178.50	54200
2000-01	33.12	639024	185.64	69797
2001-02	34.42	690316	192.23	71244
2002-03	35.72	760844	199.65	N.A

You will notice that there has been a steady and significant growth in the number of units, volume of production, employment and exports over the years. The number of units has increased from 5.46 lakh in 1975-76 to 34.42 lakh units in 2001-02. There has also been a steady growth in production and exports during the same period. The production and exports increased from Rs.11,000 crore and Rs.532 crore in 1975-76 to Rs.6,90,316 crore and Rs.71,244 crores respectively in 2001-02. The employment has also increased from 45.90 lakh persons to 192.2 lakh persons during the same period. For the year 2002-03 it has been estimated that number of units, production and employment were as 35.72 lakh, Rs.7,60,844 crore and 199.65 lakh persons respectively. This share of SSI exports in overall exports of the country increased rapidly from 9.6 per cent in 1971-72 to 34.5 per cent in 2001-02. Thus, exports from the small scale sector have acquired great significance in India's foreign trade and

occupies a very important role in India's economy. Table 16.4 gives the details of exports from small scale sector in the total exports of our country during the period 1971-72 to 2001-02.

Table 16.4 : Share of Small Scale Industries in Total Exports

(Rs. in crores)

Year	Exports from Small Scale Sector	Total Exports	% age Share of SSI sector
1971-72	165.0	1608.0	9.6
1972-73	305.8	1971.0	16.5
1973-74	393.2	2523.4	16.6
1974-75	540.7	3332.9	16.2
1975-76	532.1	4042.3	13.2
1976-77	765.8	5142.3	14.9
1977-78	844.8	5484.3	16.4
1978-79	1069.2	5276.3	18.7
1979-80	1226.3	6458.8	19.0
1980-81	1643.2	6710.7	24.5
1981-82	2070.6	7805.9	26.5
1982-83	2045.0	8907.8	23.0
1983-84	2164.0	9872.1	21.9
1984-85	2540.8	11493.7	22.1
1985-86	2769.1	10894.6	25.4
1986-87	3643.7	12566.6	29.0
1987-88	4373.0	16741.2	27.8
1988-89	5489.6	20295.2	27.0
1989-90	7625.7	27681.5	27.5
1990-91	9664.1	32553.3	29.7
1991-92	13883.4	44041.8	31.5
1992-93	17784.8	53350.5	33.3
1993-94	25307.1	69547.0	36.4
1994-95	29068.2	82574.1	35.2
1995-96	36470.2	106464.9	34.3
1996-97	39248.5	117525.0	33.4
1997-98	44442.2	126286.0	35.2
1998-99	48979.2	141603.5	34.6
1999-2000	52200.5	169561.0	33.97
2000-01	69797	202509.7	34.47
2001-02	71244	206504.4	34.5

The share of non-traditional products in the total exports of small scale industries account for more than 95%. Some of the industries in the small scale sector which contribute significantly to exports are ready-made garments, woollen garments, and knitwear, leather products, handicrafts plastics products, gems and jewellery, hosiery and marine products and the computer software. Table 16.5 gives the details of export of major products from the small scale sector :

Table 16.5 : Export of Major products' groups of Small Scale Industries

(Rs. in crores)

Sl. No.	Product Group	Year								
		93-94	94-95	95-96	96-97	97-98	98-99	99-2k	2000-01	2001-02
Non-traditional(A)										
1	Engineering goods	2065.0	2325.0	3025.0	3390.0	4400.0	5420.0	5420.0	7631.2	8302.94
2	Basic chemicals	2432.8	2676.2	3002.5	4331.2	6502.0	6147.04	6147.04	7696.2	8037.17
	Pharmaceuticals & cosmetics									
3.	Chemicals & Allied Products	174.4	237.7	250.0	353.4	480.0	516.46	516.46	530.4	426.12
4	Plastics Products	267.0	356.1	265.0	714.6	985.0	982.34	982.34	1700.0	1882.25
5	Finished leather & Leather Products	3311.5	4400.5	4910.5	3200.0	3262.6	3592.1	3592.1	4683.6	5716.80
6	Marine Products	609.6	664.5	624.3	953.0	2692.1	2260.97	2260.97	2702.2	2617.41
7	Processed foods	1716.0	1761.7	5165.8	4868.6	4620.2	4392.06	4392.06	6216.2	6896.35
8	Wollen Garments & Knitwears	300.2	319.8	896.1	863.4	1353.1	2006.76	2006.76	2696.6	2344.80
9	Sports Goods	132.2	179.9	207.5	217.5	240.7	230.9	230.9	250.4	275.66
10	Ready made Garments	11721.3	13240.4	14806.5	16729.2	16550.6	21684.7	21684.7	26626.9	24893.45
11	Synthetic & Rayan Textiles	1163.3	1416.9	1686.2	1613.3	1365.4	883.36	883.36	1263.0	1303.59
12	Processed tobacco, Snuff & bidi	193.7	111.8	237.6	520.3	358.4	734.46	734.46	635.6	560.83
13	Electronic & Computer software						1298.0	1298.0	3670.5	5624.35
Total (A)		24136.9	27390.4	35067.0	37754.6	42810.2	50048.16	50048.16	66301.8	68880.32
2Tradition (B)										
14	Cashew kernel	1027.6	1244.3	1230.2	1283.0	1426.8	1613.2	2453.29	1876.5	1628.05
	Cashew Nut shell Liquid									
15	Lac	88.6	72.8	98.7	92.9	64.4	69.3	79.03	130.9	140.87
16	Spices, Spice oil	54.0	60.7	74.3	118.0	140.8	1406.4	1620.0	1487.3	594.75
	Oleoresins									
Total(B)		1170.2	1377.8	1403.2	1493.9	1632.0	3088.8	4162.32	3494.8	2363.67
Total (A+ B)		25307.1	29068.2	36470.2	39248.5	44442.2	48979.2	54200.47	69796.5	71243.99

In export promotion strategy, the government has given high priority for the export of goods from small scale sector. The inherent advantages of small scale industries like low capital investment, flexibility in operation, high employment generation, etc. are conducive factors for rapid industrialisation and also for generation of export surpluses.

16.8 PROBLEMS OF SMALL SCALE SECTOR

There is no denying the fact that the contribution of small scale industries to Indian economy in terms of employment generation, industrial production and exports has been remarkable. However, despite various measures taken by government, the small scale units are still facing many problems in our country which lead to many small units turning sick and a number of them closing down.

The problems of small scale industries may be broadly classified into two categories as internal and external problems. The internal problems are : absence of technical know-how, old and obsolete plant and machinery and production methods, locational disadvantages, poor debt collection, low quality and ineffective marketing methods etc. The external problems, on the other hand, are : non availability of raw materials, power shortage, infrastructural bottlenecks, lack of coordination among promotional agencies, labour unrest, etc. Let us now consider the major problems being faced by the small scale units in our country.

Shortage of raw materials : The non-availability of raw materials at reasonable prices has always been a pressing problem faced by small scale entrepreneurs. Many of these, specially those engaged in exports, use the imported raw materials and components. The studies on the problem of imported raw materials indicate that the small scale industry has not shared proportionately in the growing supplies of scarce raw materials. Even in the case of indigenous raw materials, SSIs have to face competition from large scale units and exploitation at the hands of traders. Despite the various measures adopted by the government for ensuring the supply of raw materials to small scale units, they have still to face the problem of shortage of raw materials that affect their production.

Lack of credit and finance : Inadequate arrangement for finance and credit is the main obstacle in the development of small scale units. Considering the vital role of small industries in our industrial economy, the amount of loans granted to small scale industries forms a very negligible part of the total loans sanctioned to Indian industries. In recent years, there has been some improvement in the financial assistance to these industries. But, even now most artisans and craftsmen, particularly those belonging to poorer sections of the society and working in small towns and villages, find it difficult to meet their credit requirements adequately.

Low technology and skill : The methods and techniques of production in most of the SSI units are based on obsolete technology. These units are neither able to purchase and install new and upto-date equipment nor have enough knowledge about the new methods of technology. Coupled with shortage of trained personnel, this leads to low productivity and poor quality of goods. The technical advice and assistance provided to these units by various promotional agencies are not adequate and satisfactory. Hence, modernisation of these units need to be addressed urgently.

Problem of marketing : Marketing constraint is another major problem being faced by small scale industries. In the absence of proper marketing organisation, most of these industries are forced to restrict their sales to local market only. Since they cannot draw the customers from distant markets, they are compelled to restrict their scale of operation as well. Because of the shortage of working capital and financial resources, they do not have the staying capacity and are often forced to sell their products at lower prices. In fact, a large number of small scale units depend on the middlemen for supply of their inputs and so also for marketing particularly in case of traditional industries. The government is trying to help them by displaying their products in domestic and international exhibition through NSIC and SSIDC, and organising their sales with the help of JTC and Trade Development Authority.

Shortage of power : The small producers are also affected by the problem of shortage of power. Due to non-availability of cheap power the small scale industries are not able to fully utilise their capacity. These units cannot afford to have their own power units as they involve heavy costs.

Problem of technical assistance : Low level of technology and shortage of trained and experienced supervisory personnel have hampered the development of small scale industries. Having no access to latest developments in the field of knowledge and skills, productivity of these industries continues to be low.

Problem of sickness : The growing incidence of sickness is one of the most serious problems being faced by small scale sector in India. The major reasons for sickness are: non-availability of credit, obsolete technology and inadequate R&D facilities, lack

of demand and other marketing problems, shortage of power and other infrastructural constraints, management deficiencies, and impact of globalization and WTO conditionalities. The government has taken many steps for the survival of sick units as well as to reduce the incidence of sickness in small scale sector. The Reserve Bank of India issues guidelines and instructions from time to time to the banks for revival of sick units and to consider the grant of need based credit facilities on concessional terms. The recent steps taken by RBI for tackling sickness include : detection of sickness at an early stage and taking remedial measures for rehabilitation for potentially viable units, setting up of institutional mechanism in the form of State-Level Inter-institutional Committees (SLIICs) for timely identification and rehabilitation of potentially viable units, special rehabilitation cells in banks and state financial institutions, One-time Settlement Scheme for settlement of dues, etc. Industrial Development Bank of India also established the Industrial Reconstruction Bank of India in 1985 for industrial revival and to coordinate similar work of other institution. The scheme includes a number of measures for the rehabilitation of sick small scale units.

Adverse effect of globalisation : The opening up of industrial sector to both internal and external competition, lowering of tariffs, etc. had an adverse effect on small scale sector. As the country dismantles its quantitative restrictions in accordance with commitments made at WTO, many of the existing support system for protection and promotion of small scale sector will have to be dismantled. Small scale industries will have to face competition from foreign goods and multinational companies. The inability of the small scale units to upgrade their technologies and achieve product standardization as per international standards put them in a disadvantageous position.

Keeping all these problems in view, the Government of India set up a National Commission on Enterprises in the unorganised / informal sector in Sept., 2004, with Dr. Arjun Sengupta as its Chairman. As a result of the recommendations of this Commission, the following steps have already been initiated.

- 1 85 items reserved for exclusive manufacture in the SSI sector were deservived in October, 2004.
- 2 To facilitate technology upgradation and enhancing competitiveness, the limit of investment in plant and machinery has been raised from Rs. 1 crore to Rs. 5 crore in respect of seven items of sports goods reserved for manufacture in the small scale sector.
- 3 The Small and Medium Enterprise Fund of Rs. 1,000 crore has been operationalised by SIDBI. Eight per cent of the lending from this Fund will be for SSI units at the interest rate of 2 per cent below the prevailing PLR of SIDBI.
- 4 The Reserve Bank of India has enhanced the composite loan limit for the SSI units from Rs. 50 lakh to Rs. 1 crore.

Government has also been trying to improve competitiveness of small scale industrial units by upgradation of technology through tool rooms, regional testing centres, product-cum-process development centres and providing workshop facilities by SISIs. NSIC has also been running a programme called Integrated Technology Upgradation and Modernisation Fund to provide credit assistance to SSIs at concessional rates. Marketing Development Assistance Scheme has been introduced to provide credit assistance to SSI at concessional rates and improve marketing and exports from small scale sector. Training programmes of packaging for exports are being organised in various parts of the country to acquaint small scale exporters of the latest packing standards and techniques. Products of SSI which have export potential are being displayed at international trade fairs at the cost of government.

16.9 PROSPECTS OF SMALL SCALE SECTOR

The small scale sector will continue to be a significant segment of the Indian economy. Considering the present growth rate, it accounts for about 40% of the value added in manufacturing sector. Its contribution to employment is next to agriculture in India. It has been estimated that an investment of Rs. 1 lakh in fixed assets produces Rs. 4.62 lakh worth of goods and services and generates employment of four persons. Exports from small scale sector have acquired great significance in India's foreign trade as about 35% of the total exports are accounted for by this sector. There is still a vast scope for expanding the export of several non traditional items from this sector. Recognising the importance of small scale sector's contribution to India's exports the government has taken many steps to overcome marketing problems in the overseas market. It has also set up Export Inspection Council for controlling activities relating to quality control and reshipment in respect of specified products meant for exports. To acquaint SSI exporters of the latest packing standards and techniques, training programmes of packaging for exports has been organised in various parts of the country.

Many large scale units which require a wide range of parts, components and sub-assemblies have started procuring them from small scale sector rather than producing them in their own premises as the small scale units, due to their inherent strengths, are able to produce them at a lesser cost. The government has also established sub-contracting exchanges which maintain data about the small scale industries to match the requirements of large scale industries.

The emergence of women entrepreneurs both in rural and urban areas is another important development. The CSO survey of manufacturing enterprises (1994-95) revealed that 16% of the total enterprises in the country were women owned, of which 77% were located in rural areas and have been undertaking activities in almost all industry groups. The Andhra Pradesh Government has given special recognition to women entrepreneurs by establishing an exclusive industrial estate for women entrepreneurs. SIDBI has also introduced many schemes of assistance to women entrepreneurs on liberal terms through comprehensive packages suited to their skills and socio-economic status to enable them set up industrial units in the small scale sector which will have social and psychological impact on the society as a whole.

Small industry will become increasingly knowledge intensive and offer many challenging opportunities to the highly educated and bright youth in the coming years. An increasing flow from the technical colleges and institutes is expected in this sector and it will become more professionalised. The service industries will emerge as the most attractive venture in small scale sector where capital required is minimal, the infrastructure requirement is almost nil, and the gestation period is rather short. The service sector offers most attractive possibilities to the young entrepreneurs, and what is needed is the formulation of positive government policy to strengthen the growth of this sector.

In view of the stiff competition from neighbouring developing countries and the MNCs, it is necessary for the small scale industries to upgrade their technology, improve quality of their products, and adopt innovative marketing and management practices. These units have to pay special attention on environmental health, safety and technical standards. In view of WTO regime, it has become necessary for the government to give a new shape to the policy framework and adopt appropriate industrial policy which will be conducive for the development of small scale industries.

If the facilities and services are offered as a package and there is coordination among different assisting agencies, the small scale sector will progress faster.

Check Your Progress C

- 1 Enumerate the major steps initiated as a result of Sengupta Committee recently.
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- 2 State four major problems the small scale industries have been facing.
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- 3 List out four programmes which support the promotion and growth of small scale industries.
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- 4 Which of the following statements is True or False
 - (a) The number of SSI units increased from 5.46 lakh to 34.42 lakh in 2002-03.
 - (b) The share of non-traditional items in the total exports by small scale sector accounts for more than 95 per cent.
 - (c) The amount of loans granted to small scale sector constitutes an insignificant portion of the total loans sanctioned to industries in India.
 - (d) A large number of small scale units depend very little on middlemen for marketing of their products particularly in case of traditional industries.
 - (e) Liberalisation and globalisation of economy had adverse effect on the development of small scale sector.
 - (f) Small industry will become increasingly knowledge intensive and offer challenging opportunities to the highly educated and bright youth in the coming years.

16.10 LET US SUM UP

Small scale unit refers to an industrial undertaking in which the investment in plant and machinery does not exceed Rs. 1 crore.

The small scale sector plays a significant role in Indian economy. It has high potential for employment generation, advantage of low investment, decentralisation of industrial base and dispersal of industries to rural and semi-urban areas. It also helps in promoting entrepreneurship and has significant share in exports.

Keeping in view the performance of small scale sector, the government has given high priority to this sector and has evolved extensive institutional framework for the

promotion and growth of small scale industries at different levels – national level, state level and district level – throughout the country. Various policies, programmes and schemes have been initiated from time to time for the protection and promotion of small scale industries in India. These include reservation of items for exclusive production in small scale sector, reservation of items for purchase by the government from SSIs, incentives in backward areas, exemption in central excise duty, industrial estates, credit guarantee, etc. The New Industrial Policy was announced specially for small scale sector in 1991, which has laid greater focus on the promotion and development of small scale industries through various innovative schemes.

There has been a steady and significant growth of small scale industries in terms of not only the number of units but in terms of production, employment, capital investment and exports. The exports from the small scale sector have acquired great significance in India's foreign trade as about 35% of the total exports are from this sector only. However, the small scale units are facing many problems right from the point of inception, such as shortage of raw materials, non-availability of credit and finance, low technology and skill, problems of marketing, shortage of power, lack of technical assistance, sickness, etc. Keeping in view these problems, the government has initiated a few additional steps in 2004 such as creation of small and medium enterprises fund, raising composite loan limit for SSIs, etc. It is expected that it will continue to remain a significant segment of the Indian economy.

16.11 KEY WORDS

Ancillary Industrial Undertaking : An industrial undertaking engaged in the manufacture of parts, components, assemblies, tooling or intermediaries or the rendering services, and of supplies or renders not more than 5% of its output or services, as the case may be, to other industrial undertakings, and the investment in plant and machinery does not exceed Rs. 1 crore.

Export Oriented Small Scale Industrial Unit: A small scale unit with an obligation to export at least 30 per cent of its annual output by the end of third year from the date of commencement of production.

Integrated Marketing Support: A scheme to solve the problem of delayed payment by buyers against the supplies made by small scale units.

Small Scale Unit : An industrial undertaking in which investment in plant and machinery does not exceed Rs.1 crore.

Sub-contracting Exchange: A store house of data with regard to the capacity utilization, product specification, etc. of small scale units on the one hand and the requirements of the buyers on the other hand.

Tiny Enterprise: An unit in which the investment in plant and machinery does not exceed Rs.25 Lakh.

16.12 ANSWERS TO CHECK YOUR PROGRESS

- | | | | |
|---|---|---------------------------------|--|
| A | 3 | (a) Rs. 25 Lakh | (b) entrepreneurship, foreign exchange |
| | | (c) 1977 | (d) agriculture (e) national identity |
| B | 3 | (a) Directorate of Industries | |
| | | (b) District Industries Centres | |

- (c) State Financial Corporations
- (d) State small Industries Development Corporations

- 4 (a) SIDO (b) NSIC (c) SIDBI (d) Directorate of Industries
(e) May, 1978 (f) NISIET

- C 4 (a) False (b) True (c) True (d) False (e) True (g) True

16.13 TERMINAL QUESTIONS

- 1 Define small scale industry. Explain the role and importance of small scale industries in a developing economy like India.
- 2 Discuss the institutional framework that has been evolved for the promotion and growth of small scale industries in India.
- 3 What kind of assistance NSIC provides to small scale industries. Discuss the major programmes of assistance initiated by this corporation.
- 4 Outline the role of state level institutions in the development of small scale industries.
- 5 Discuss the services provided by the following national level institutions for promotion and development of small industries in India.
(a) SIDO (b) SISIs (C) NSISIET (d) SIDBI
- 6 Critically examine the government policy towards small scale industries.
- 7 Explain the salient features of New Industrial Policy, 1991 for small scale industries.
- 8 What are the various programmes and schemes that are initiated by the government for the development of small scale industries
- 9 Define an Ancillary Industrial Undertaking. Critically evaluate the growth of small scale industries after 1990s.
- 10 What are the major constraints that are being faced by the small scale sector ? Discuss ways and means to overcome such constraints.

Note : These questions will help you to understand the unit better. Try to write answers for them, but do not submit your answers to the university for assessment. These are for your practice only.