Growth & Development of SMEs in Orissa
3.1 Introduction

In India, Small-Scale Industries (SSIs) were given due importance in the process of industrialization as far back as 1951 when post-independence economic planning was initiated. The *Industries Development and Regulation Act* legislated by the Centre in that year, became the framework for the small-scale industrial sector's development. The act determined licensing policies for the sector and the reservation of products, among several other important provisions. The definition of small-scale industries is mainly in terms of investment ceilings which have changed over the years to keep pace with economic development. Though, employment and turnover are also used to define small industries, as these indicators are implicit in the requirement for registration under the *Factories Act*, the core definition of SSIs in India remains based on investment limits - "historical costs of plant and machinery".

Industrialisation is considered to be one of the important factors in the process of economic development. It is a process in which growing part of natural resources is mobilized to develop a technically up-to-date diversified domestic economic structure characterized by a dynamic manufacturing sector having a producing means of different goods and capable of assuming a high rate of growth for the economy as whole and of achieving economic and social progress (UN Report, 1963). More multiplication of industrial units during a period of time, irrespective of their commercial success and impact on the economy in terms of contribution to income, employment and economic and social progress is not the index of industrialization. It offers a major solution and opens new vistas of development for an economically backward region, which suffers from high population pressure, chronic unemployment and under-employment on account of lack of adequate off-farm employment opportunity.
In the ancient time, Orissa was a prosperous state, both materially and culturally due to its maritime trade and continued to be so till the Britishers and other European traders controlled it. When there is a decline in it, the prosperity of Orissa declined (Behera, 1996). At present, Orissa continues to be one of the industrially backward states of India, despite of its vast mineral, forest, agricultural and marine resources. It presents the paradox of poverty amidst plenty. Endowed with abundant natural resources, it has an anaemic industrial growth; accomplished craftsmen languishing in poverty; labour available in plenty have limited scope for absorption, vast areas of land with limited infrastructure base (Patnaik, 1986). The conversion of vast material and human resources into value added requires proper institutional framework, policy parameters and entrepreneurial capabilities for creating a suitable objective environment for setting in motion the process of industrial growth.

3.2 Small and medium enterprises (SMEs) defined

Use of ‘small’ as a differentiator in industry explains the comparatively small in operation, employment, products, capital, technology etc. The definition of small enterprises varies from country to country. In most of the countries, SMEs are defined on the basis of quantitative and qualitative elements, such as, the number of workers employed and / or annual turnover or the level of fixed investment. However, employment is an omnipresent criterion for determining the size of the unit in these countries. The definitions of small scale industries (SSIs) prevalent in some countries are as follows:

**China:** The definition of SSI is less quantified and varies with the products. These industries are designed to mobilise local raw materials, local skills, local finance and local markets.

**Japan:** Small industries are those, which are relatively small in scale of management and capital investment (less than 300 million yens in manufacturing and less than 10 million yens in commercial and professional services).

**UK:** Units employing less than 500 workers generally referred as small units although there is no demarcation between large and small industries.
USA: The manufacturing firm is officially a small business for government procurement purposes, if it is not dominant in its field of operations and if it has fewer than 500 employees, or if it is certified as small by the Small Business Administration with fewer than 250 employees.

Scandinavian Countries: Units employing 10 to 100 workers referred as small scale units although there is no official definition of small industries.

Philippines: Industrial service enterprises in which the manager is not actively engaged in production but performs a wide range of tasks involved in guidance and leadership without the help of a specialised staff officer is regarded as small industry.

ECAFE: The working Group of the Economic Commission for Asia and the Far East (1952) has suggested that small industries are defined, for statistical purposes, as establishment employing not more than 20 persons when using power and 50 persons without use of power.

In India, small scale industry has been defined in three different ways, i.e., (i) conventional definition, (ii) operational definition for policy purpose and (iii) definition relating to national income accounting. The conventional definition includes cottage and handicraft industries which employ traditional labour intensive methods to produce traditional products. The operational definition for policy purposes defines small scale industry on the basis of investment in fixed assets and in plants and machineries and employment. The Fiscal Commission (1950) defined SSI as those units employing 10 - 50 workers. This has undergone change several times and the changed definitions from 1950 to 2000 are given in Table 3.1.

However, the nomenclature of SSI has changed to MSME (Micro, Small and Medium Enterprises) in 2006 to make this sector more vibrant which is shown in Figure 3.1. The definition relating to national income accounting includes all manufacturing and processing activities including maintenance and repair services undertaken by both households and non-households manufacturing units which are not registered under the Factories Act.
### Table 3.1
**Definition of Small Scale Industries**

<table>
<thead>
<tr>
<th>Year</th>
<th>Definition Given by</th>
<th>Capital Investment Criterion</th>
<th>Employment Criterion</th>
</tr>
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<tbody>
<tr>
<td>1950</td>
<td>Fiscal Commission</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1955</td>
<td>SSI Board</td>
<td>Up to Rs. 5 lakhs</td>
<td>Same as SSI</td>
</tr>
<tr>
<td>1960</td>
<td>Ministry of Commerce and Industry</td>
<td>Up to Rs. 5 lakhs</td>
<td>Same as SSI</td>
</tr>
<tr>
<td>1975</td>
<td>Government of India (GOI)</td>
<td>Up to Rs. 10 lakhs</td>
<td>Up to Rs. 15 lakhs</td>
</tr>
<tr>
<td>1980</td>
<td>GOI</td>
<td>Up to Rs. 20 lakhs</td>
<td>Up to Rs. 25 lakhs</td>
</tr>
<tr>
<td>1985</td>
<td>GOI</td>
<td>Up to Rs. 35 lakhs</td>
<td>Up to Rs. 45 lakhs</td>
</tr>
<tr>
<td>1991</td>
<td>GOI</td>
<td>Up to Rs. 60 lakhs</td>
<td>Up to Rs. 75 lakhs</td>
</tr>
<tr>
<td>2000</td>
<td>GOI</td>
<td>Up to Rs. 1 crore</td>
<td>Not defined</td>
</tr>
</tbody>
</table>

Source: Government of India

### Figure 3.1: Nomenclature and Classification of MSME

![Diagram of MSME classification](source)

Source: Ministry of Small Scale Industries and Ministry of Agro & Rural Industries, Government of India

### 3.3 Socio-economic backdrop of Orissa

Orissa, the eighth largest State in the Country, has a landmass of 1,55,707 sq. kms, which is 4.74% of India’s landmass. According to 2001 Census Orissa is the eleventh most populous State with a population of 368.05 lakh. The State’s share in the National population has marginally
declined from 3.74% to 3.58% during the period from 1991 to 2001. While the State's urban population has increased from 13.4% to 15% during the same period, the corresponding increase for India has been from 25.7% to 27.8%. The decennial growth rate of population at 16.25% during the decade 1991-01 has been much lower than the corresponding growth rate at 20.06% during the previous decade, i.e., 1981-91. The density of population, which was 203 per sq. kms in 1991, has increased to 236 in 2001, as compared to the corresponding increase from 267 to 313 at all India level. The sex ratio of 971 females per 1,000 males in 1991 marginally increased to 972 in 2001 which is much higher than the all India figures of 927 and 933 respectively. The literacy rate in the State, which was 49.09% during 1991, has increased to 63.08% during 2001 Census. The female literacy rate has increased remarkably from 34.68% to 50.51% during the same period.

3.3.1 State income

The Gross State Domestic Product (GSDP) at constant (1999-2000) price of Orissa has increased from Rs.42,909.62 crore in 1999-2000 to Rs.73,542.26 crore (as per the advance estimates) in 2007-08 registering an annual compound growth rate of 6.97 percent over the period. This average growth rate during the period has to be viewed taking note of frequently occurring natural calamities. Since agriculture and allied activities contribute a major share, i.e., more than 25% of the GSDP, any damage to this sector affects the total GSDP. As can be seen from the year-wise analysis of the period, the growth of GSDP over the year preceding, has been 6.25% in 2001-02, -0.06% in 2002-03, 14.71% in 2003-04 and 12.61% in 2004-05, 6.35% in 2005-06, 9.35% in 2006-07 and 8.67% in 2007-08 (as per advanced estimates). Negative or low economic growth rates during some years are due to adverse impacts of natural calamities including severe droughts.

Another feature of the growth of GSDP is that the secondary sector has also shown cyclical growth in different years. It ranged from 32.04% to 13.20% from 2004-05 to 2007-08, the highest growth of 32.04% being recorded in 2004-05 over the year preceeding. The growth of 'tertiary' and 'finance and services' sectors during this period has been fairly consistent being about an average of 13.94% and 6.13% respectively.
3.3.2 Education

Education is an important input for human resource development. Improvement in awareness and skill is possible only through education in various areas. The literacy rate in the State has increased from 15.8% in 1951 to 63.8% in 2001. During the same period, the female literacy rate has also increased from 4.5% in 1951 to 50.5% in 2001. During 2006-07, there were 46,722 primary schools with 44.85 lakh enrolment and 1.14 lakh teachers. During the same period the number of upper primary schools was 16,403 with 18.17 lakh enrolment and 0.36 lakh teachers. There were 7408 high schools with 13.52 lakh enrolment and 0.62 lakh teachers. While there was one primary School (formal) for every 3.7 sq.km. area with teacher-pupil ratio of 1:41 in 2000-01, it has improved to one school for 3.3 sq. km. area with the teacher-pupil ratio of 1:36 during 2006-07. The State is committed to attaining the Millennium Development Goal of Universalisation of Elementary Education (UEE).

The State has 9 Universities and 1,680 General Colleges including 48 Govt. Colleges (44 with degree facilities) having higher secondary facility with intake capacity of 3.87 lakh students. In the field of technical education, the State has made significant progress. By the end of 2006-07, there were 44 Engineering Colleges including 7 Government Colleges, with intake capacity of 14,497 students and 30 Engineering Schools / Polytechnics including 13 in the Public Sector, with intake capacity of 4,130 students. Besides, there were 48 colleges in the State to provide Masters Degree Courses in Computer Application (MCA) with intake capacity of 2,802 students. There were 231 Industrial Training Institutes including 25 under Government and 206 under private management, with intake capacity of 21,453 students. In the field of medical science, State has three Medical Colleges, one Dental College, one Pharmacy College, three Ayurvedic Colleges, four Homoeopathic Colleges and one Nursing College in the Government Sector.

Besides, there are three Medical Colleges, four Dental Colleges, two Ayurvedic Colleges, two Homoeopathic Colleges, and thirteen Pharmacy Colleges in the private sector.
3.3.3 Transport and communication

In the absence of adequate internal rail links, surface roads have remained the major means of transportation in the State. The road length in the State was 2.21 lakh km. in 2007-08. At the end of 2005-06, total railway route length in Orissa was 2,287 km. including 91 km. of narrow gauge railway. The density of railway route length per thousand sq km. area in the State is around 14.7 km. During 2007-08, about 20.70 lakh motor vehicles were on road in the State. Number of motor vehicles per thousand sq. km. was 13,296 and per lakh population, the same was 5,213. During 2007, road accidents registered stood at 8213, claiming 3,000 lives. Out of 11 major ports in the Country, Paradeep is the only major port in Orissa through which mostly minerals and metallurgical products are exported. During 2007-08 an all time record cargo of 424.38 lakh MT was handled at this port as compared to 385.17 lakh MT cargo handled during 2006-07, out of which 255.83 lakh MT were exported, 168.37 lakh MT were imported and 307.42 lakh MT were foreign cargo.

3.3.4 Minerals

Orissa occupies an important position in the mineral map of India and has rich deposits of coal, iron-ore, manganese ore, bauxite, chromite and other minerals. According to all-India Mineral Resources Estimates, mineral deposits in Orissa in respect of chromite, nickel, bauxite, iron ore and coal are about 95.26%, 92.46%, 54.97% and 32.54% and 24.48% respectively of the total deposits in the Country. The State also has substantial deposits of limestone, china clay, quartz, precious and semi-precious stones, copper and vanadium. However, the rate of exploitation of different minerals is not very significant. Except iron-ore, chromites and graphite, the rate of exploitation to total reserve has remained below one percent. 1.40 Out of total 602 mining leases in Orissa covering an area of 97.02 thousand hectares, only 370 leases, covering an area of 74.44 thousand hectares, are in operation by the end of 2007-08.

Orissa possesses a total reserve of 4,760.63 million tones of high grade iron-ore which is about one-third of Country’s deposit. This attracts steel manufacturers of National/ International level to set up steel plants in Orissa. So far Government of Orissa has signed 56 MoUs with different Companies for establishment of steel, aluminium, titanium and cement
plants. POSCO, one of the World’s largest steel and power producing companies has also signed a MoU for setting a mega steel plant having capacity of 12 MTPA with an investment of about US $ 12 billion. During 2007-08, about 1,785.81 lakh tones of minerals valued at Rs.10,636.70 crore were produced in the State as against 1,614.45 lakh tones production of Rs.7,629.63 crore valued during 2006-07, showing a decrease of 1.77% in production and 39.41% in value over the previous year. Similarly in 2007-08, about 286 lakh tones of mineral/ ores valued at Rs.8,333 crore has been exported from Orissa as against 162 lakh tones of minerals/ ores valued at Rs.10,761.2 crore exported during 2006-07. An amount of Rs.1,126.09 crore has been received as mining revenue during 2007-08 as against Rs.936.55 crore received during 2006-07.

3.3.5 Industry

With vast mineral resources, abundance of raw materials and comfortable power situation, the State has immense potential for industrialisation. Large industries like Rourkela Steel Plant, National Aluminium Company, Indian Charge Chrome Ltd., Paradeep Phosphates and coal based power plants at Talcher, Kaniha and Banharpal have been set up in the State during different Plan periods. At present, three nodal agencies, namely, Industrial Promotion and Investment Corporation Ltd. (IPICOL), Industrial Development Corporation Ltd. (IDCOL) and Orissa State Electronics Development Corporation (OSEDC) are engaged in promoting large and medium industries in the State.

State has attracted large scale investment for mineral based industries including steel, aluminium, titanium and cement; power sector, oil refinery and auto ancillaries. Government have signed 71 MoUs with reputed National/ International business houses for additional production of 50 million tones per annum (MTPA) capacity in steel making, 4 MTPA in alumina, refining and aluminium, 15 MTPA in petrochemical refining, 13,000 MW in power generation and 5 MTPA in cement manufacturing and other industries during Eleventh Five Year Plan with likely direct employment generation of 75,000 man-years and investment of about Rs.3,05,752 crore. Total private investment including from those entrepreneurs who have signed MoU with the State Govt. and from those
who have not signed any MoU with State Govt. is expected to be of the order of Rs. 6,49,893 crore.

Growth of Micro, Small and Medium Enterprises sector is being emphasized not only because of its potential for generation of employment opportunities but also for its contribution to the output of the State. During 2007-08, 4710 Micro, Small and Medium Enterprises went into production with total investment of Rs.295.51 crore and 23,301 persons were provided with employment opportunities. While contribution of Repairing and Services sector is highest in respect of number of units setup (51.02%) and employment generation (32.68%) during 2007-08, contribution of food and allied based sector is the highest in terms of investment (25.86%). During 2007-08 against the target to assist 12,500 educated unemployed youth, an amount of Rs.127.05 crore was sanctioned in favour of 13,291 applicants. Out of which Rs.100.40 crore have been disbursed to 11,916 beneficiaries. The State Govt. has also developed a MSME Policy, 2008 to promote MSME Sector.

The Orissa Development Report 2001 analyses in detail the social and economic problems of the State. The Report also discusses the reforms initiated in some of the sectors and emerging challenges of these reforms. The Report particularly gives stress on poverty and poor living conditions of the people, measures taken so far to improve the economic situation and pending challenges that have to be faced in coming decades to enhance growth and ensure equity. In concluding remarks, a vision statement has been presented for an overall growth of about 6 per cent per annum during the Tenth Plan and poverty reduction to the extent of 7 per cent.

3.3.6 Natural resource assessment: endowments, utilisation and degradation

Orissa's mineral deposits are large, and as a per cent of all-India resource stock, there is fairly heavy concentration in respect of Bauxite, Chromite, Graphite, Manganese, Nickel ore, Coal and Iron ore also have a significant share, though they are not of high grade variety. The rate of cumulative exploitation (output-resource stock ratio) has remained low, except in the case of Graphite and Manganese ore. However, this has not provided a sufficient condition for the establishment of metallurgical and
non-metallic mineral based industries on a large scale. Even value addition within the State has remained relatively low.

The quality of soil, in general, is rather low with low moisture retention capacity except in the coastal districts which contain highly fertile alluvial soil and the soils of the river valleys. This is a natural weakness of the State’s economy as agriculture is its mainstay.

Forest resources, though depleted still have a high crown density in the north and north-west parts of the State. Sal and bamboo forest predominate and the State does not have evergreen forest - mostly semi ever green and deciduous varieties.

The State has rich irrigation potential, both flow and groundwater and these have so far been underexploited, partly because of spreading resources too thinly over too many major and medium projects, many of which have not become fully operational due to non-completion of the canal network.

Again, marine fishery resource potential is relatively significant. However, in the case of both marine and inland fishery, the ratio of output to resource potential suggests underinvestment in this sector where large gainful employment opportunities could be created.

Though Orissa boasts of rich natural resources, these are being degraded over time. While forests, land and surface water resources are undergoing severe degradation, ground water, minerals and air are under serious threat of degradation. Not only the different patterns of development in the State have led to the degradation of these natural resources but also other factors like the growth of population and the unsustainable activities adopted by them have become crucial for the degradation of valuable natural resources in the State. The adoption of unsustainable activities is, however, driven by the market and institutional failure. It provides incentives to the poor to have short time preferences and to the rich to exploit the resource base at unsustainable rate.

The degradation of natural resources has not only reduced the economic base of the State but also affected the environment adversely. The adverse impacts like change in climatic condition, increased flooding, decreased productivity, water shortage, increased infant mortality and morbidity rate, etc. are some of the outcomes of continuing degradation. In
the absence of proper measures to reduce the degradation of natural resources the problem will be aggravated. Therefore, a policy in this regard is of utmost importance.

3.3.7 Infrastructure development

It is needless to mention that the economic development of a state/region more or less depends on its development status of the social and economic infrastructure. From this angle when the development status of the key infrastructures in Orissa is compared with the average development status of such infrastructures in the country by the formation of composite development index, the development position of Orissa as such does not reveal its actual backward status in comparison to many other States in India. However, when the development indicators of a few key infrastructures are analysed and compared with many other major States and also with the all-India figures, the deficiencies and weaknesses of such infrastructures in Orissa are clearly revealed to manifest its backward status. Added to this, it is further found that the level of disparities in the development status of infrastructure among the present 30 districts of Orissa is fairly high.

Also, its access across space and people is highly unequal. It is observed from the observation made during the time of field study that mere existence of infrastructure does not ensure its service utility for the poor and downtrodden. The maintenance and supervision of many key social and economic infrastructures particularly in the backward highland districts of the State is observed to be very poor. As a result, such provisions have failed to generate the intended development effects among the poorer and vulnerable sections of population.

Nevertheless, it is a good trend to observe that the rural pockets of Orissa in the recent years have witnessed positive transformations of certain key infrastructures such as development of roads, transport and communication networks and if more stress could be put on proper maintenance and supervision of different service infrastructures, it will be easier for a poor and backward State like Orissa to accelerate its pace of economic development.
3.3.8 Industrialisation in Orissa: structure, policy and prospects

This chapter discusses the various aspects of the industrial economy of Orissa in an inter-regional framework. From the analysis, it is found that Orissa's industrial structure has hardly shown any improvement as compared to other States. In most cases, the presence of highly capital intensive industries with cost disadvantages in fuel, interest payment and depreciation has resulted in heavy losses. Moreover, the prevalence of low wages in many industries causes low productivity of labour. Because of poor agricultural base, the emergence of an active local entrepreneurial class has been stifled. The persistently disadvantageous position of the State raises basic questions of neglect and misdirected policies of the Centre as well as the State.

Lack of proper infrastructure, especially, transport and power, has severely impaired both growth and diversification of industries in the State. So, a serious rethinking on the issue of greater use of power for the State's industrialisation, rather than mere selling it, is essential. In order to activate the industrial sector, development of railways and civil aviation is very much essential. Secondly, to generate income in the rural sector and promote a viable rural industrial base, larger investment in agricultural development needs to be made. Thirdly, for further industrial development, a dynamic small enterprise promotion policy for the State is needed. Fourthly, the State is endowed with a range of high-grade minerals. But, these are not exploited properly. Mining activities should be upgraded to the status of manufacturing industry wherein mineral processing up to certain stages could be undertaken in the region. Fifthly, modern agro and forest based industries need to be encouraged in the State. Finally, preference should be given to the new areas of industrial activities with special emphasis on location in underdeveloped districts.

3.4 Growth of small scale industries in Orissa

In view of the domestic resource constraints, industrial growth has not been achieved to the desired level in the State. With the modification of industrial policies in the context of globalization and economic liberalization, there has been a surge in the investment proposals for establishment of industries in the State, particularly in the areas like steel, power generation, aluminum, sugar and oil refinery. The five year plans have recognized the importance of small-scale and village and cottage industries.
The State Government, in the various Industrial Policies has reiterated this. Efforts were made to provide institutional and financial support in addition to various incentives and concessions for promoting this sector. By the end of 2008-09, 1,01,933 small-scale industries were operating in the State by providing employment to 6.01 lakh persons with an investment of Rs. 3348.60 crore. Year wise details of growth in industries after 1990 are given in the Table 3.2. Category-wise details are given in Table 3.3.

Table 3.2
Growth of Small Scale Industries in Orissa

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of units</th>
<th>Investment (Rs.crore)</th>
<th>Employment (No.)</th>
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<tr>
<td>By end of 1979-80</td>
<td>9119</td>
<td>68.96</td>
<td>77598</td>
</tr>
<tr>
<td>1980-81</td>
<td>2003</td>
<td>13.11</td>
<td>14844</td>
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<tr>
<td>1981-82</td>
<td>2600</td>
<td>18.95</td>
<td>17951</td>
</tr>
<tr>
<td>1982-83</td>
<td>3180</td>
<td>26.48</td>
<td>22716</td>
</tr>
<tr>
<td>1983-84</td>
<td>3333</td>
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<td>1987-88</td>
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Source : Economic Survey, Government of Orissa, various issues
The development of SSI has been well emphasized in the Industrial Policies of Orissa. The various rural development programmes undertaken by the State Government have focused on the promotion and diversification of village and small industries in rural areas as the alternative support for income and employment generating activities to agriculture. During the eleventh Plan period, the importance of small, village and cottage industries has been increasingly realized to mitigate the deficiencies of large scale industries to tackle massive rural unemployment. As a result, development of traditional industries, and revival of sick industrial units need to be integrated with the comprehensive rural development programmes. But inadequacy in infrastructure facilities coupled with persistent resources constraint continues to hinder the accelerated progress of these industries. The State has yet to achieve entrepreneurial/managerial expertise, technological up gradation, production of cost effective quality goods and marketing. Table 3.2 along with (Figure 3.2) indicates the progress of SSI units in terms of units setup, investment and employment generated in the State up to 2008-09. The small scale industries in the State have shown an increasing trend between 1993-94 to 2008-09 in number of units set up, employment opportunities created and investment incurred.

Category-wise small scale industries set up in Orissa up to 2008-09 is given in Table 3.3. Repairing and servicing industries occupy a major portion (30.23%) of the total SSIs set up followed by food and allied industries (22.59%), engineering and metal industries (11.42%), textiles industries (7.69%) and glass and ceramic industries (7.52%) (Figure-3.3).
In terms investment, food and allied industries shares the major investment (28.05%) in the total investment, followed by engineering and metal industries (21.23%), repairing and servicing industries (16.34%) and glass and ceramic industries (11.94%) (Figure 3.4). But glass and ceramic industries (20.99%) created larger employment opportunities, followed by food and allied industries (20.00%), repairing and servicing industries (16.12%) and engineering and metal industries (14.43%) (Figure 3.5).

Table 3.3
Category-wise Small Scale Industries in Orissa by end of 2008-09

<table>
<thead>
<tr>
<th>Category</th>
<th>Units Setup (No)</th>
<th>Investment (Rs. In Lakh)</th>
<th>Employment (Persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Allied</td>
<td>23026</td>
<td>93923.62</td>
<td>120217</td>
</tr>
<tr>
<td>Chemical &amp; Allied</td>
<td>2742</td>
<td>17471.21</td>
<td>21108</td>
</tr>
<tr>
<td>Electrical &amp; Electronics</td>
<td>1090</td>
<td>4553.76</td>
<td>6961</td>
</tr>
<tr>
<td>Engineering &amp; Metal</td>
<td>11641</td>
<td>71095.01</td>
<td>86747</td>
</tr>
<tr>
<td>Forest &amp; Wood Based</td>
<td>6316</td>
<td>5725.87</td>
<td>40032</td>
</tr>
<tr>
<td>Glass &amp; Ceramic</td>
<td>7670</td>
<td>39981.52</td>
<td>126197</td>
</tr>
<tr>
<td>Livestock &amp; Leather</td>
<td>425</td>
<td>689.55</td>
<td>2423</td>
</tr>
<tr>
<td>Paper &amp; Paper Products</td>
<td>2736</td>
<td>8488.26</td>
<td>14967</td>
</tr>
<tr>
<td>Rubber &amp; Plastic</td>
<td>1675</td>
<td>11864.36</td>
<td>9810</td>
</tr>
<tr>
<td>Textiles</td>
<td>7842</td>
<td>10110.4</td>
<td>46508</td>
</tr>
<tr>
<td>Misc Manufacturing</td>
<td>5951</td>
<td>16248.12</td>
<td>29331</td>
</tr>
<tr>
<td>Repairing &amp; Servicing</td>
<td>30819</td>
<td>54708.08</td>
<td>96904</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101933</strong></td>
<td><strong>334859.76</strong></td>
<td><strong>601205</strong></td>
</tr>
</tbody>
</table>

Source: Directorate of Industries, Govt. Of Orissa, Cuttack
3.5 Small scale industry and five year plans in Orissa

Orissa, being a traditional producer of handicrafts and handlooms of a large variety, the village and small industries in the State have received due attention from the beginning of the economic planning. In this section the State's endeavour in bringing up the small scale sector during different plan periods is analysed.

3.5.1 First five year plan (1951 – 56)

The First five year plan (FYP) of the state like that of the rest of the country was primarily designed to repair the damages caused by war and was mainly confined to continuing the programmes taken up during the post war period. Nevertheless of represented the first step in planned development and prepared the ground for a larger effort in the Second five year plan (FYP). The most noteworthy programmes undertaken during this period were the Hirakud Dam project and the introduction of National Extension Service.
On the front of village and small industries, during first plan, the emphasis was given on the development of traditional small industries. Major emphasis was on the development of Khadi and village industries, such as handloom cooperatives including silk weaving, coir industry and sericulture. Several industrial schools were established in-order to provide training on industrial management and manufacturing techniques to the entrepreneurs. The First Plan did not see dramatic change in this actor, nor did it help in activating the productive ethos among the village entrepreneurs.

3.5.2 Second five year plan (1956 – 61)

The second plan was conceived on a somewhat bigger scale. The programmes which were undertaken during the First Plan were continued, considerable emphasis was laid on agricultural production, particularly the production of food grains. Besides, the plan provided for development and utilization of potentialities created in the sphere of power and aimed at creating conditions favourable to the setting up of industries in the public as well as in the private sector.

Apart from the industrial development in the private sector, special measures were initiated for the provision of village and small industries during the past decade. In this connection, the Directorate of Industries was strengthened and its area of operation was extended. Major schemes undertaken during this period were:

i) Modernisation of existing industrial schools, fix of them were constructed during this plan

ii) A new institute named Automobile and Diesel Training Institute was started in 1955-56 to impart knowledge of Automobile and Diesel machines to the workers

iii) Under the State Aid to Industries Act, loans were given to deserving small scale and cottage industries. During 1956-57, a sum of Rs30.0 lakhs was distributed as loans.

iv) Pilot projects: Under this scheme industrial units were started in collaboration with private entrepreneurs by the state. By end of 2nd Plan period, a total amounting varying between Rs.53 - Rs 55 lakhs was invested in this project. Till the end of this plan 37 entrepreneurs had started manufacturing various types of goods. Those were
manufacturing of phenyl, inks and other chemicals, furniture and building materials, electrical accessories, cycle parts, cutlery, manufacturing of bolts and nuts, trunks, aluminium wires, pre-stressed concrete poles, collapsible gate shutters, storage batteries tin containers and drugs. The total disbursement of loan to SSI under the State Aid to Industries Act, by the end of Second Plan was about Rs 22.99 lakhs.

v) Industrial Estates: One important aspect of the programme for SSI was establishment of Industrial Estates (IEs) with a view to providing built up factor units on hire to industrialists to save them from heavy initial capital investment and in the process to effect dispersal of units in rural and semi-urban areas. In the second Plan the target was to establish four standards and one rural Industrial Estates at Rourkela, Jharsuguda (JSG), Berhampur and Kendrapara. During the Second Plan 108 factory units were constructed at Jharsuguda, Cuttack and Rourkela. The total estimated cost of all Industrial Estates taken up during the second Plan was Rs 73.69 lakhs. However, actual expenditure incurred till 1961 was Rs 61.69 lakhs.

3.5.3 Third five year plan (1961 – 66)

In the Third five year plan (FYP) for the first time second priority was given to industry after agriculture and irrigation. As per the recommendation of NCAER (on the basis of techno-economic appraisal) Rs.5.96 crores, i.e., 33% of the total outlay in the Third Plan was allocated to SSI sector.

Industrial concerns and private parties had been given loans on liberalized terms and conditions under the State Aid to Industries Act for establishing new industries. Loans amount to Rs.21.92 lakhs were advanced during 3rd five year plan (FYP). Furthermore, share capital loans of Rs.3.66 lakhs and working capital loans of Rs.2.09 lakhs were given respectively to 69 units and 6 units of industrial co-operatives during the period 162-63 to 1966-67. The small scale industries had been supplied with their requirement of raw matrices through agro and small Industries Corporation set up in 1961. A State Purchasing Organization was created during this Plan for exclusive purchase of stores from Government sponsored industries and for supplying the same to Government departments and corporations according to demand.
By the end of 3rd Plan, 10 Industrial Estates were constructed at Cuttack, Jagatpur, Kendrapur, Kakatpur, Dhenkanal, Sambalpur, Jharsuguda, Rourkela, Berhampore and Pariakhemundi consisting of 189 sheds (A-Type 74, B-Type 64, C-Type 49 and Special type 2) out of which 163 sheds were occupied by industrial concerns. Besides these, 102 units of Rural Industrial Estates were also constructed for accommodation of small factories, Panchayat samiti Industries etc.

3.5.4 Fourth five year plan (1969 – 74)

The objectives of the Fourth Plan were;

i) to raise the per capita income of the people of Orissa to the level of all India average;

ii) to assure minimum income of Rs.20 per capita per month;

iii) to reduce the level of disparities between the backward and the advanced districts of Orissa; and

iv) to improve the technology for entrepreneurial ability of the people

The investment during the fourth Plan for large and medium as well as village and small industries amounted to 16.9% of the total plan investment in this sector. The allocation for small scale sector alone on the other hand was only 1.44% of the total outlay under the Plan. The slow growth rate was due among other reasons to low investment and underdeveloped infrastructure. More than Rs.7 crore was invested through the Industrial Development Corporation of Orissa Ltd., only to meet the needs and commitments of the various units taken over by them. However, the results as anticipated from these investments could not be yielded during this period.

During the fourth Plan period, small scale industries were promoted through the provision of financial and physical assistance as well as consultancy services. By the end of fourth Plan 110 additional sheds were proposed for construction in the industrial estates thereby bringing the total number of sheds available in Orissa to 299. The Orissa Small Industries Corporation was also set-up to provide assistance in the shape of raw materials and consultancy services to SSI. During fourth Plan period 710 units were given loans under the State Aid to Industries Act and the total amount disbursed under it was to the extent of Rs.29.19 lakhs.
In financial terms the original budget/target of Rs.322 lakh for the fourth Plan had been exceeded. On the physical side, however, the target in industrial production could not be attained.

3.5.5 Fifth five year plan (1974 – 79)

The main objective of the fifth Plan in the small scale industries and village industries sector were as follows:

(i) Development and promotion of entrepreneurship, particularly amongst the technically qualified persons including unemployed engineers, experienced artisans and other suitable persons for the development of small scale industries in Orissa.

(ii) Provision of consultancy services and market assistance to small scale industries and entrepreneurs for their development and growth.

(iii) Progressive improvement in the techniques of production and introduction of quality control measures for bringing the small scale units to a viable level and also to modernize these units.

(iv) Development and growth of small scale industries in the growth centres and other local points of growth which have hitherto remained outside the orbit of industrialization.

(v) Promotion of industries based on locally available raw materials particularly agro-industries and growth oriented small-scale industries in the field of electronics, plastics, machine tools, chemicals, etc.

(vi) Promotion of ancillary industries and subsidiaries and encouragement of the system of sub-contracting in production.

(vii) Improvement in exports by small-scale industries and encouragement of research.

Finance, difficulties in marketing, low productivity and absence of economies of scale were some of the basic problems faced by small scale industries in Orissa as identified in the fifth Plan. Therefore, the small industries development programme in the fifth plan aimed at removing some of these difficulties and providing assistance so that a large number of modern small scale units would come up in Orissa. It was projected that financial assistance would be provided by granting loans under the State-Aid to Industries Act to small-scale entrepreneurs, through the investment in the share capital of the Panchayat Samiti and Pilot Project units set up during the previous plan periods and through investment in equity share of
small-scale industrial units made by the Orissa Small Industries Corporation. Besides, it was also projected to implement a special scheme for providing loan assistance to technical entrepreneurs and educated unemployed to meet fifty percent of the requirement for margin money by these entrepreneurs. Marketing assistance, as it was projected, would be provided through Orissa Small Industries Corporation and Directorate of Export Promotion and Marketing where the assistance would be in terms of provision of market intelligence both for internal and external market, negotiation of supply order, conclusion of rate contract with the local manufacturers to provide them assured market with Government Departments and public corporations.

The allocation of funds for the development of this sector during this plan was only 1.46% of the total plan outlay. During this plan, basic thrust was given to the handloom and artisan sectors besides the modern small industries.

3.5.6 Sixth five year plan (1980 – 85)

One of the major objectives of the plan was to reduce unemployment and underemployment by diversifying opportunities particularly through industrial development and small industries including cottage, household and tiny industries. This was proposed to be achieved by-

(i) revitalising and developing the existing traditional and other small-scale industries.
(ii) promoting intensive development of new variable SSI.
(iii) providing opportunities to raise the level of earnings of rural artisans, handloom weavers and craftsmen;
(iv) providing subsidies selectively for development of designs, marketing and other infrastructure; and
(v) diversifying the location for creating growth potential for rural industries.

For this purpose, a new industrial policy was framed to encourage the element for rapid industrialization of the state. The new industrial policy reflects the strategy being developed for bringing about the needed assistance for rapid industrialization. It is really after the industrial policy resolution of 1980, that the rural impact of industrialization has been
visible. In this connection some of the important measures proposed during this plan were;

(i) setting up of an Industrial Development Corporation for undertaking building up of industrial infrastructure in a systematic and concerted manner;

(ii) setting up of a Trading and Export Development Corporation to provide the marketing support for industrial products of the state;

(iii) opening up of a foreign instrument division in IPICOL to attract Indians living abroad to invest in industries in Orissa; and

(iv) providing a package of incentives for new industrial ventures in the shape of cheap/and interest subsidy, tax concessions, price preferences, etc.

During this plan the positive efforts made by the planners resulted in excluding the target for this sector in terms of number of units, investment, and employment. It was proposed to set up 14,000 small scale industrial units with a capital investment of Rs.10471.00 lakh during this period. This was estimated to generate employment for 10,38,100 persons. By end of the plan, however, 14381 SSI units were actually set up with a capital investment of Rs.13,352.11 lakh. Employment was provided to 106293 persons.

This obvious result was due to the plan outlay made for the sector during this plan. During this plan 6.6% of the total outlay was on small scale sector, which is indeed a sizeable amount needed for the development of a sector. In earlier plans the allocation for this was very low and was even less than (2%).

Thus during the sixth plan period concrete results have been started flowing out of this sector due to the positive approach taken for development with a new industrial policy, and a larger amount available for its development. A right direction has been set up during this plan only.

3.5.7 Seventh five year plan (1985 – 89)

The seventh plan objectives indicated by the Planning Commission for this sector are

(a) growth and dispersal of industries;

(b) improvement in the levels of earnings of artisans;
(c) creation of avenues of self-employment;
(d) regular supply of goods and services;
(e) development of entrepreneurship in combination with improved methods of production; and
(f) presentation of craftsmanship and art heritage of the country.

Further, the strategies for achieving these objectives would be

(a) improvement in the productivity and quality of goods;
(b) reduction in costs;
(c) utilization of existing capacities through the supply of adequate inputs.
(d) expansion of the share of village and small industries products in domestic market through publicity, standardization, market support and increased participation in government’s purchase programme;
(e) strengthening the programme of anciliarisation to establish improved linkage between large and small industries;
(f) providing specialisation in production;
(g) strengthening the skill profile, entrepreneurial base and management practices to increase opportunities for self-employment; and
(h) improvement in the general level of welfare of workers and artisans through better working conditions, welfare measures and security of employment.

For this purpose massive allocation has been made for the small scale sector. Out of the seventh plan allocation of Rs. 5088.71 crores, the share of the small sector was Rs. 75.00 crores which constitutes hardly 1.47% of the total plan outlay.

3.5.8 Eighth five year plan (1992 – 97)

The village and small industries got special priority over the large and medium industries in the eighth Plan for dispersal and decentralization of industrial activities in the urban and rural area of the State. The objectives during the eighth Plan period in village and small industries sector were;
a. Higher rate of growth in this sector with emphasis on quality and sophisticated development of ancillary and downstream industries,
b. Establishment of functional industrial complexes with improved technology,
c. High productivity,
d. Prevention of sickness,
e. Pollution control,
f. Removal of regional imbalances and
g. Higher employment generation.

Keeping these objectives in view, thrust would, therefore, be on growth of rural economy and rural employment. For development of Khadi and Village industries, it was proposed to cover 16000 villages during eighth Plan period with various types of assistance from Khadi Commission. Equal stress had also been given for development of Handicraft, Coir and salt Industries which would benefit about 50,000 families in rural area. An outlay of Rs.81.93 crore was proposed for this sector during eighth Plan wherein the outlay for Small Scale Industries was Rs.69.05 crore. As against this outlay, the expenditure incurred was Rs.56.10 crore. During this 5 year period it was programmed to establish 13,000 small scale units with an investment of Rs.273.00 crore and providing employment opportunities to 1,04,000 persons.

3.5.9 Ninth five year plan (1997 – 2002)

The Ninth Five Year Plan recognized the employment creation potential of the small industries sector with less capital investment along with its role in dispersal and decentralisation of industrial activities throughout the State. The Plan also recognizes that a strong base of small scale industries is necessary to sustain large enterprises. The basic objectives of higher growth in this sector with emphasis on quality and development of ancillary and downstream industries, establishment of functional industrial complexes, higher productivity and higher employment adopted during the eighth Plan period were also pursued during the ninth Plan period. During ninth Plan period an outlay of Rs.29.17 crore was proposed for development small scale industries. During this period 17,438 units were set up with an investment of Rs.805.49 crore and employment opportunities to the extent of 86.797 were created.
3.5.10 Tenth five year plan (2002 – 07)

Growth, equity and sustainability, as identified in the tenth Five Plan were the three key elements of the overall development of the State. In order to have the overall development of the State, the tenth Plan made much emphasis on the industries sector. The core of plan strategies in the industries sector during tenth Plan is as follows;

i. Creation of business climate conducive for accelerating investment in industry and infrastructure project.

ii. Raising income, employment and economic growth in the State through rapid industrialization,

iii. Reducing regional disparities in economic development, and Balance utilisation of the natural resources for sustainable development.

Tenth Plan put emphasis on promotion and development of ancillary and downstream industries, establishment of functional industrial complexes and generation of employment in the village and small industries sector. During this plan period a state plan outlay of Rs. 29.08 crore was proposed under this segment. The important schemes envisaged for development of village and small industries during this plan period were as follows;

i. Entrepreneurial Development Programme for fostering entrepreneurial ability among the educated unemployed youths

ii. Industrial exhibitions, fairs and publicity to facilitate the display of products of small scale industrial units in the State at the District, State and National level

iii. Techno-economic feasibility studies both at micro and macro levels with the aim of identifying potential small scale industries and preparation of project profiles thereon.

iv. Capital investment subsidy to small scale industries on fixed capital investment at different proportions basing on the industrial backwardness of the area, category of entrepreneurs of pioneering industries, nature of industry and equipments.

During tenth plan period 22,292 units were set up with an investment of Rs.1112.44 crore and employment opportunities to the extent of 1,04,728 were created.
3.5.11 Eleventh five year plan (2007 – 12)

The mainstay of eleventh Plan, unlike earlier plans, is the industries sector. Among other objectives, the eleventh Plan aims at to maintain the pace of industrialization process coupled with measures to achieve environmental sustainability and to take suitable policy measures to create a conducive environment that fosters the growth of entrepreneurship and encourage private sector investment. The eleventh Plan recognized that the SSI units are supplementary and complementary to large and medium scale of units and they have a vast potential of employment and catch foreign exchange.

Keeping the changing industrial scenario in the State, following plan strategies are visualized in the context of eleventh Plan for big, medium and small scale industries.

i. Strengthening of physical and social infrastructure through public investment as well as by attracting substantial private investment.

ii. Facilitating large investment in natural resources based Industries like Power, Steel Alumina etc.

iii. Providing support to export oriented industries, agro based food processing industries.

iv. To lay emphasis on quality, productivity and skill development.

v. Making special efforts for rehabilitation of viable sick industries.

vi. Organisational reform to facilitate unhindered growth of industry and trade.

vii. Providing escort services, fast and transparent decision-making and quick clearance of the proposals.

During the eleventh Plan period and outlay of Rs.23.75 crore is proposed for development of small scale industries the State. During first two years of plan 9516 SSI units were set up with an investment of Rs.523.43 crore and employment opportunities to the extent of 44,297 were created

3.6 Small scale industry and industrial policies of Orissa

From time to time the State Government has enacted several policies for faster growth of industries, more particularly the small-scale sector in the State. Those policies are broadly in the line of national policies but keeping in mind the requirements of the State. These policies are briefly discussed in this section.
3.6.1 Industrial policy of Orissa, 1968

It was the first industrial policy of the State, which gave emphasis on infrastructure by providing transportation and communication facilities to industrial zones. It had also invited private entrepreneurs to set up units in the State by providing them industrial sheds and plots at concessional rates.

3.6.2 Industrial policy of Orissa, 1977

This Policy had offered a package of incentive and concessions to the industries in the State by identifying different categories of districts like industrial backward, zero industry and other districts for this purpose. District Industries Centres (DICs) were created by Industrial Policy Resolution (IPR), 1977 of Government of India with a mission to provide single window facilities to industries. As a result of this, 13 DICs were created in Orissa to provide all sort of assistance required by an entrepreneur to set up a unit. These DICs are directed to undertake economic investigation into the potential for development of industrial units including new material and other resources, supply of machinery and equipment, provision for credit, marketing assistance and quality control, research, extension and entrepreneurial training. It had also emphasized on setting up of rural industries by forging close linkage to development blocks and development institutions of the State.

3.6.3 Industrial policy of Orissa, 1980

Industrial policy, 1980 recognised the absence of a dynamic industrial culture despite of creation of an industrial base in the State during the last 30 years of industrialization. So the policy advocated for efficient use of vast natural resources of the State for a sound industrial base. The strategies enunciated in this policy were;

(a) Providing of all facilities to attract private sector for large, medium and small industries.

(b) Special emphasis on development of ancillary industries around large and medium industries.

(c) Attaching considerable importance to development of technical manpower.

(d) Setting up a Single Point Contract Forum as a part of streamlining the administrative mechanism and strengthening the District Industries Centres to function as a Single Point Contact Forum in respect of small scale industries.
This Policy with its package incentives encouraged the entrepreneurs to start small industrial units of their own in the State. The State Government made bold declaration for setting up “thousand industries in thousand days with investment of thousand crore of rupees”. Major provisions incorporated in this Policy in respect of small scale industries are as follows:

(a) Actual cost of preparation of feasibility report to be borne by the State Government subject to maximum of 1% of the fixed assets.

(b) Subsidy to the extent of 75% of the lump sum know-how fees charged by the National Research and Development Corporation, Regional Research laboratories and Organisations recognized by Government / Government agencies imparting technical know-how shall be allowed to small scale industrial units subject to maximum of Rs. 20,000.

(c) Educated unemployed entrepreneurs setting up small scale units and occupying built-up sheds shall be entitled to rent subsidy for 4 years at the rate of 100% for the first two years, 50% for the third year and 25% for the fourth year.

(d) New village, cottage and small scale industries certified by the State Government shall be exempted from sales tax for 5 years on purchase of machinery spare parts, raw materials and packaging materials.

(e) The small scale industrial units registered with the Director of Industries shall be eligible to get a price preference up to 15% for their products supplied to Government and semi-Government organisations. The SSI units having ISI certification for their products shall be eligible to get a further price preference of 3%.

(f) The SSI units registered with the Directorate of Export Promotion and Marketing shall be exempted from paying earnest money while tendering to the Government and semi-Government organisations of the State Government.

(g) The Government and semi-Government organisations have been directed to purchase their requirement of products of SSI units without inviting tenders wherever rate contract agreement has been entered into by the concerned units with the Directorate of Export Promotion and Marketing.
3.6.4 Industrial policy of Orissa, 1986

Industrial policy 1986 also re-emphasised the dispersal of industrial activities to non-industrial areas. Some of the important objectives of the Policy are-

(a) Generation of employment in secondary and tertiary sectors and larger employment of women in appropriate industries,
(b) Dispersal of industries in backward areas of the State,
(c) Promotion of ancillary and downstream industries,
(d) Adoption of appropriate package for rehabilitation of sick industries,
(e) Pragmatic marketing support,
(f) Adoption of appropriate technical manpower policy,
(g) Planning for optimal utilization of raw materials, industrial by-products and waste materials available in the State,
(h) Expeditious delivery of incentives and facilities, and
(i) Effective monitoring of progress of industrialization.

This policy divided all the districts of the State into three different zones for availing different incentives.

Another important aspect of this Policy was the rehabilitation package for sick industrial units. Various concessions like investment subsidy, tax holidays, concessional tariffs, etc., were provided for healthy development of industries in the State.

The Policy put major thrust on the development of sophisticated industries including electronics, up-gradation of technology, modernization of the existing units and development of functional industrial areas in the fields of electronics and computers, electrical and domestic appliances, plastics and polymers, leather, textiles, ceramics, chemicals, drugs and pharmaceutical industries.

3.6.5 Industrial policy in Orissa, 1989

The preamble of the Industrial Policy, 1989 of Government of Orissa has included in its preamble the approach to further liberalization in the package of incentives announced in 1986. It has twin objectives of encouraging new industries and providing support to the existing industries. New provisions of capital investment subsidies were introduced and made available to all the zones. Special class entrepreneurs like technical entrepreneurs and pioneer units were allowed 5% extra capital
investment subsidy up to an upper limit of Rs. 5 lakhs. Sales tax incentives including exemption were provided to Khadi and Village Industries and to SSI for a period of 7 years and which was 5 years to others. The Policy envisaged marketing support, rate contract, price preferences, exemption of deposit of earnest money and maintained quota in supply of scarce raw materials.

3.6.6 Industrial policy of Orissa, 1992

It has been announced to provide further concessions to SSI in the State along with the Policy of Government of India. The major change in the policy was related to classification of areas for incentives and concessions. Sub-divisions have replaced the district as the unit for classification. The limit for capital subsidy also was changed. Most of the concessions provided in the earlier policies remained in force.

3.6.7 Industrial policy of Orissa, 1996

The Industrial Policy 1996, announced by State Government in March 1996, acknowledged the abundance of resources in the state and emphasized on rapid development of industries by inviting new industries to take full advantage of liberalized economic and industrial regime and to attract substantial private investment for infrastructure. The objectives of Industrial Policy 1996 are the following:

a. Harnessing Orissa's vast natural resources and potential for accelerated industrial growth consistent with the protection of the environment.

b. Advancement of agriculture could be establishing appropriate linkages between agriculture and agro and food processing industries.

c. Attracting and facilitating large investments in infrastructure and industries both from inside the country and abroad.

d. Generation of employment in large and scale industrial/commercial activities.

e. Emphasis on development of backward area/regions of the State through industrial/mining ventures.

f. Strengthening the rural economy through development of agro-based industries, small industries, village and cottage industries, sericulture, handloom and handicraft.

g. Stimulating and strengthening local entrepreneurial base/talent.

h. Development of skill/expertise.
This Industrial Policy also specified the following strategies to be adopted for achieving the above mentioned objectives.

a. Strengthening physical and social infrastructure like power generation, railway and road network, ports and airports, higher technical / professional institutions, modern hospitals and schools through prioritization of public investment and through private investment.

b. With the opening up of the telecommunication sector by the Government of India to private enterprise, telecommunication facilities are also expected to improve and grow rapidly. The State Government will provide all support for development of telecommunication facilities in the State.

c. Facilitating large investment in resource-based industries like power, steel, alumina etc.

d. Improving the investment climate through peaceful industrial relations and work culture, helpful escort services, fast and transparent decisions making and quick clearance of projects.

e. Providing greater support to oriented industries, agro/food processing industries, small scale industries and micro-enterprises and to women / SC/ST/physically handicapped entrepreneurs.

f. Providing greater incentives/support to industries generating large employment specifically employment of women and industries located in disadvantaged localities.

g. Making special efforts for rehabilitation of viable sick industries.

h. Simplification of rules and procedures and organizational reforms to facilitate unhindered growth of industry and trade.

i. Emphasis on quality and productivity and skill development.

3.6.8 Industrial policy 2001

Deregulation and simplification of rules and procedures, rationalisation of labour laws, facilitation of industrial restructuring and accelerated development of physical and social infrastructure through public-private partnership will enable a conducive business climate for attracting investments and establishment of competitive industry are the
The mission of the Industrial Policy 2001 is as follows:

i. Creation of business climate conducive for accelerating investment in industry and infrastructure projects,

ii. Raising income, employment and economic growth in the State,

iii. Reducing regional disparities in economic development,

iv. Balanced utilization of the natural resources for sustainable development.

With regard to SSI Units, this policy envisages:

a. All efforts will be made to encourage and ensure growth of small-scale industries sector, in particular, through cluster development approach.

b. Back-ended financial support for SSI units in priority Sector, by way of grant of interest subsidy.

c. Market support through preference in government procurement as detailed elsewhere in this IPR, to the SSI/Minor sector with emphasis on competitiveness based on quality.

d. New small scale industrial units in priority sectors will be entitled to interest subsidy @ 5% per annum for a period of five years from the date of commercial production on term loans availed from recognised Financial Institutions/Banks.

e. Small Scale Industrial units (existing or new) which undertake modernisation will be eligible for interest subsidy @ 5% per annum for a period of five years from the date of completion of modernization on the term loans availed from the recognised Financial Institutions/Banks. This will be applicable to units where un-depreciated book value of the investment on plant and machinery before modernization is within the small-scale limit as prescribed.

f. The interest subsidy will be limited to Rs.20.00 lakhs in case of Small Scale Units and Rs.10.00 lakhs in case of tiny units.

g. The industrial units established in the districts of Kalahandi, Nuapada, Bolangir, Sonepur, Koraput, Malkangiri, Rayagada, Nawarangpur, Gajapati and Deogarh will get additional interest subsidy @ 5% of the term loan or Rs. 5.00 lakh whichever is less as an incentive for backward area development.
h. Exemption of sales tax on finished products of khadi, village, cottage and handicraft industrial units. Finished products of all existing and new khadi, village, cottage and handicrafts industrial units will be exempted from sales tax when sold at sales outlets of authorised Cooperatives/Government agencies and agencies recognised by Khadi and Village Industries Commission/Board, Coir Board, Handicraft Corporation and DIC.

i. Selected existing industrial and craft clusters in SSI, tiny and household sectors would be developed with the involvement of industry associations of the area, R&D associations and Financial Institutions such as SIDBI, NABARD and UNIDO’s Cluster Development and TBIIP (Technology Bureau of Industrial Investment Partnerships) initiatives. For this purpose, integrated interventions covering common facilities for quality improvement, technology up gradation, market promotion and skill development would be designed and implemented. New SSIs will be encouraged in clusters rather than in isolated locations.

j. The State Government will ensure that requirements of store items of Government Departments and agencies under its control are procured from industries located within the State. Such local units will get price preference for this purpose. Simultaneously efforts shall be made to ensure that local products are cost-effective and meet overall quality requirements for competitiveness.

3.6.9 Industrial policy 2007

The Industrial Policy Resolution (IPR) of Orissa 2001 has put in place a robust policy framework for industrial promotion and investment facilitation in the State, including creation of an enabling environment. The Industrial Policy Resolution 2007 aims at reinforcing and further expanding this process. In order to sustain the current investment level, it has become imperative to provide high quality supporting industrial and social infrastructure. With a view to furthering this objective, a robust institutional mechanism has been put in place to encourage private investments in infrastructure development on public private partnership (PPP) mode.

Comprehensive policy support shall continue to be extended to Micro and Small Scale Enterprises (MSE) sector in the areas of credit, marketing,
technology development, quality control, infrastructure and rehabilitation. With a view to maximizing the outcome and impact of the current industrialization process, special efforts shall be made to promote maximum possible forward and backward linkages between Large, Small and Medium Enterprises (SMEs) through development of ancillary and downstream industries. While accelerating the ongoing efforts, the IPR 2007 shall provide a new direction to the industrialisation process by encouraging further value addition specially focusing on sectors such as engineering, textiles and apparel, agro processing, IT / ITES and tourism, etc., which together are expected to provide maximum benefit to the State in terms of growth of employment and revenue. Cluster approach shall be intensified to promote handicrafts, handlooms, Khadi and Village industries, coir industries and salt sector, which also offer huge employment opportunities. Special effort shall be made to provide them with support in areas such as design development, technology, credit and marketing.

The focus on Small and Medium Industries shall be on

- Undertaking a special drive for modernization of SMEs.
- Facilitating greater flow of institutional credit, including revival of the Orissa State Financial Corporation (OSFC).
- Providing marketing support under Government purchase programme.
- Rehabilitation of potentially viable sick industries.
- Development of Special Industrial Parks for ancillary and downstream industries.
- Cluster development approach for enhancing the competitiveness of potential sectors. Industry associations shall be encouraged to set up Common Facility Centres and Testing Laboratories on PPP mode.

The recent intensification of industrial activities in the State provides significant growth opportunities for the existing industries, especially in the SME sector, including those, which have become sick for various reasons. The state Government shall undertake a comprehensive drive through Directorate of Industries for district wise identification of potentially viable sick units. Such industries shall be placed on a fast track mode for consideration of rehabilitation assistance by Government and all agencies concerned. The existing institutional mechanism of District Level Committees (DLC), Sub-Committee of State Level Inter Institutional
Committee and the State Level Inter Institutional Committee (SLIIC) shall be suitably reinforced for this purpose. The SLIIC shall be empowered to extend need based incentives as available under the present IPR for this purpose. The industries so assisted will be treated at par with new industrial unit for determining the maximum level of incentive that could be sanctioned by SLIIC.

The existing rules for extending marketing support to Small Scale Industries shall be brought in alignment with the newly enacted Micro, Small and Medium Enterprises Act, 2006 and corresponding Rules. The following measures shall be undertaken:

(a) Comprehensive review of the rate contract purchase list, exclusive purchase list and open tender purchase list shall be undertaken by a Committee consisting of Secretary, Industries Department, Director, Export Promotion and Marketing (EP&M), Director, Industries and representatives of Industries Associations, which shall submit their recommendations for Government approval in Industries Department.

(b) With a view to encouraging large and medium industries, including those in private sector, in the State to meet their store purchase requirements from the local MSEs, institutional mechanism in the line of Plant Level Advisory Committee existing in respect of Central Public Sector Undertakings (CPSUs) shall be devised and implemented.

(c) Specific efforts shall be made to increase awareness amongst local MSMEs regarding export opportunities and export procedures. The Export Promotion Cell in the Orissa Small Industries Corporation Limited shall be strengthened to assist local small-scale enterprise to access export market.

3.7 Orissa MSME development policy, 2009

The Orissa MSME Development Policy, 2009 aims at broad basing the growth of MSMEs of the State in all potential sectors of economy thereby widening opportunities for employment generation, revenue augmentation, exports and realising the full potential of Micro, Small and Medium Enterprise Sector of the State. It is focused at sustainable and inclusive industrial growth aiming at balanced regional development. In spite of inherent richness of the State in terms of natural resources, human
resources and enterprising enabling polity, the MSMEs of the State suffer from typical weaknesses and have specific needs and requirements. In order to address such needs and to enable the MSMEs to face the emerging challenges and gain competitiveness in globalized and competitive market, the Government of Orissa has already enacted IPR, 2007 and now is declaring a policy christened as “Orissa MSME Development Policy, 2009” with a view to provide opportunities for the growth of MSMEs in the State as a new wave of industrialization is being witnessed in Orissa today especially in the metal, power, cement, petrochemical, IT, Tourism sector and also in the services sector.

This policy is in conjunction with IPR, 2007. It lays thrust on development of infrastructure to meet the MSME’s requirements, facilitation of flow of credit, sourcing of raw material in efficient and cost effective ways, support measures for marketing, concerted effort for promotion of exports, assisting and incentivising technology up-gradation, rehabilitation and revival of viable sick units with enabling institutional arrangements for providing hand-holding support. This policy shall also be instrumental in entrepreneurship development, skill up-gradation, providing fiscal incentives and facilitate smooth investment through single window mechanism to help translate investment objectives into actual practice. Besides, this policy will provide ample opportunity to local entrepreneurial talent and strengthen the institutional support in alignment with the present requirement of the MSME Sector.

The policy lays emphasis on addressing the infrastructural needs of MSMEs on priority. There is provision for reservation of minimum 20% of land in all industrial estates, industrial parks, industrial corridors and land banks for MSMEs. 10% of land limiting to 200 acres, allotted to large and mega industries is earmarked for setting up of ancillary and downstream MSMEs preferably in cluster mode. New exclusive industrial parks for MSMEs at all major industrial hubs such as Kalinganagar, Barbil, Jharsuguda, Sambalpur, Dhenkanal, Angul, Paradeep, Rourkela, Bargarh, Balasore, Dhamara, Gopalpur, Chhatrapur, Rayagada, Kalahandi and Choudwar and near the SEZs will be an additional effort to accelerate the growth of MSMEs. Dedicated industrial parks at suitable locations for
women entrepreneurs shall be developed with a mission to reduce the socio-economic gap and ensure gender empowerment.

Adequate flow of credit is a major enabler for survival and growth of MSMEs. This policy has emphasized on constitution of a Credit Monitoring Group to monitor and facilitate the flow of institutional credit to MSMEs. Launching of "Orissa MSME Venture Capital Scheme" will stimulate promotion of new entrepreneurs, technologies and innovations. This policy also provides scope to encourage Banks and Financial Institutions for setting up dedicated branches at industrial hubs for exclusive MSME finance. Such branches shall be provided infrastructure facilities including land on priority basis at concessional industrial rate. Subsidising the credit rating fees is a special feature of this policy.

To boost forward linkage, State Government will ensure procurement of goods and services by the Government Departments and Agencies from MSEs located within the State via rate contract system, purchase from exclusive list and purchase by open tender with 10% price preference to local MSEs, Khadi and Village Industries units including Coir, Handloom and Handicrafts vis-a-vis local medium and large industries as well as outside industries. MSMEs shall be encouraged for formation of Consortium and Sub-Contract Exchanges for participating in high value procurement and composite tenders and to derive the benefits of economies of scale.

The policy envisages adoption of cutting edge technology with introduction of a new scheme, "Orissa Technology Up-gradation Scheme" for undertaking modernisation and technological up-gradation. Subsidizing practice of Clean Development Mechanism and related technologies and purchase of Technical know how, etc. are some added features of the policy.

Cluster approach is the proven successful approach for sustainable growth of MSMEs. This policy gives a thrust on promotion of new clusters of ancillary and downstream industries at industrial hubs such as Kalinganagar, Paradeep, Dhamara, Gopalpur, Angul, Dhenkanal, Sambalpur, Jharsuguda and Keonjhar.

Some other important thrusts of this policy include rehabilitation and revival of viable sick units, review of performance of Banks and Financial Institutions by Empowered Committee on SMEs. constituted by RBI,
strengthening of institutional framework, restructuring and upgrading the existing set up of different level of DICs., networking with Line Departments, operationalisation of single window mechanism, strengthening industry-institution linkages, setting up of incubation centres for new entrepreneurs at strategic locations preferably in association with CIPET, CTTC, XIMB, NSIC and KVIC, subsidising the cost of higher training to promoters of MSMEs., up-gradation of ITIs and promotion of new institutes for skill up-gradation, etc.

However, it is felt necessary to provide fiscal incentives to attract investors and to accelerate the industrial growth. This policy has provided support measures such as capital investment subsidy @ 10% of Fixed Capital Investments (FCI) subject to an upper limit of 8lakhs to new MSMEs. and 12% of FCI maximum up to 10lakhs to MSMEs set up by SC, ST, PH, Women, Technical (Degree/ Diploma holding) entrepreneurs. Women entrepreneurs are to be entitled to additional 2 years fiscal incentive of IPR, 07 as regards to VAT. The SPVs of MSME Clusters are to be given the status of new small scale industrial units for the purpose of availing fiscal and non-fiscal incentives under this policy.

### 3.8 Conclusion

Orissa has a glorious past due to its overseas and maritime trade, which declined during mediaeval period. At present, Orissa continues to be one of the industrially backward states of India, despite of its vast mineral, forest, agriculture and marine resources. Planned exploitation and optimum utilization of different resources holds the key to rapid economic development of the State.

Government of Orissa from time to time has enacted several policies for faster growth of industries more particularly the small scale sector in the State. Industrial Policy of Orissa, 1968 was the first industrial policy of the State, which gave emphasis on infrastructure by providing transportation and communication facilities to industrial zones. Industrial Policy of Orissa, 1977 had offered a package of incentive and concessions to the industries in the State by identifying different categories of districts like Industrial backward, zero industry and other districts for this purpose. Industrial Policy of Orissa, 1980 with its package of incentives encouraged
the entrepreneurs to start small industrial units of their own in the State. The major emphasis in the Policy of 1986 was to create employment opportunity in secondary and tertiary sectors and more employment of women in these sectors where their representation is negligible.

Industrial Policy of Orissa, 1989 has included in its preamble the approach to further liberalization in the package of incentives announced in 1986. Industrial Policy of Orissa, 1992 has been announced to provide further concessions to SSI in the State along with the Policy of Government of India. Industrial Policy of Orissa, 1996 emphasized on rapid development of industries by inviting new industries to take full advantage of liberalized economic and industrial regime and to attract substantial private investment for infrastructure development in the State.

Deregulation and simplification of rules and procedures, rationalisation of labour laws, facilitation of industrial restructuring and accelerated development of physical and social infrastructure through public-private partnership will enable a conducive business climate for attracting investments and establishment of competitive industry are the major thrust of Industrial Policy 2001.

Industrial Policy 2007 extended the comprehensive policy support to Micro and Small Scale Enterprises (MSE) sector in the areas of credit, marketing, technology development, quality control, infrastructure and rehabilitation. The policy put emphasis on maximum possible forward and backward linkages between Large, Small and Medium Enterprises (SMEs) through development of ancillary and downstream industries with a view to maximizing the outcome and impact of the current industrialisation process. The Orissa MSME Development Policy, 2009 aims at broad basing the growth of MSMEs of the State in all potential sectors of economy thereby widening opportunities for employment generation, revenue augmentation, exports and realising the full potential of Micro, Small and Medium Enterprise Sector of the State.

The industrial units existing in the State prior to the planning period were mainly in unorganised small and cottage industries sector by traditional craftsmen. They were rice mills, oil mills, handloom textile units, small handicraft units, bidi making units, etc. During the First plan the emphasis was on the development of infrastructure facilities. During the
Second Plan (1956-61), some important steps were taken for laying the industrial foundation in the State. To provide financial assistance to small and medium entrepreneurs, the Orissa State Financial Corporation (OSFC) was set up during this period. The State Government’s encouragement, had led to a large number of industrial units in private sector during Third Plan Period (1961-66). From Third Plan to the end of fifth plan, the industrial activities in the State moved at a slower pace.

The industrial and entrepreneurial activities gained further momentum in the State in the early eighties with the declaration of Industrial Policy Resolution of the State in 1980. A total of 14,318 units were set up during this period with an investment of Rs.133.52 crore, compared to only 9,119 units with an investment of Rs.68.95 crore existing prior to this period.

The seventh Plan period was also another remarkable period in the industrial history of Orissa. This period witnessed further expansion and consolidation of industrial activities in the state in response to a more liberalized industrial policy announced in 1986. In small scale sector, during this period, 12,408 units were set up with an investment of Rs.233.09 crore and generating an employment potential for 83,195 persons.

The industrial policies of 1992 and 2001 provided further boost to the SSI units in the State. During eighth Plan period 12,360 SSI units were set up with an investment of Rs.358.63 crore. This figure increased to 17,438 and Rs.805.49 crore during ninth Plan period. Establishment of SSI units further consolidated during tenth Plan period. During this period 22,292 units were set up with an investment of Rs.1,112.44 crore generating an employment potential for 1,04,728 persons.
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