CHAPTER II

STATUS OF SMALL SCALE INDUSTRIES (SSI) – INDIA
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2.1 DEFINITION:
Industrial unit having investment of not more than Rs.5 crore on Plant & Machinery is defined as Small Scale Industry and the Industrial units with an investment on Plant & Machinery not greater than Rs.25 lakhs, as Tiny Industry.2.4

2.2 SMALL SCALE SECTOR – INDIA
Small-scale units in India are assumed worth not only for their contribution to the economy especially in the creation of employment but also for the special backing they enjoy from the government. Small Scale Sector (SSI) has stayed high on the agenda of all political parties and policy architecture since independence as a legacy of Gandhian philosophy. The special push to this sector has been with the multiple objectives of employment generation, regional spreading of industries and as a seedbed for Entrepreneurship. The contribution of small-scale industries (SSIs) has been extraordinary in the industrial development of the country. It has a share of 40% in the industrial production and 35% of the total manufactured exports of the country are directly accounted for by this sector.2.17 In terms of employment generated, this sector is employing approximately 18 million people.2.8

Employment in the manufacturing sector has been largely generated by the small scale sector. In the total manufacturing sector, the share of registered small scale enterprises (SSEs) is 48.8%. The household and non registered
SSEs together contribute 37% of the employment generated. Together all SSEs, registered and unregistered (informal) generate employment to the degree of 85.8% of the manufacturing sector.\textsuperscript{2,3}

The small-scale sector produces a wide range of products, from simple consumer goods to highly precision and sophisticated end user products. As ancillaries, it manufactures a diversity of parts and components required by the large enterprises. The sector has emerged as a major supplier of mass consumption goods like leather articles, plastics and rubber goods, fabrics and ready-made garments, cosmetics, utensils, sheet metal components, soaps and detergents, processed food and vegetables, wooden and steel furniture and so on. More sophisticated items manufactured by the small scale sector now include television sets, electronic desk calculators, microwave components, air conditioning equipment, electric motors, auto-parts, drugs and pharmaceuticals.

Rural and Traditional Sector enterprises mostly from amongst the unregistered SSEs and non-farm sector contribute to about 15% of the total output of Small Scale Industries but about 40% of the work force is employed in this sector.\textsuperscript{2,3} These industries are based on traditional skills and are based on simple manufacturing processes that are carried out by making use of hand tools mostly and in few cases by use of simple machines. This also explains the larger employment generated in these units.
2.3 TRANSFORMATION OF THE INDIAN BUSINESS ENVIRONMENT IN POST INDEPENDENT ERA......

Rapid economic development has been the primary objective of independent India. It has been pursued through industrialization especially the development of basic and heavy industries within the ideological framework of a 'Socialist Pattern of Society' stressing equitable distribution. In order to ensure equitable distribution, the State, as the principal agency acting on behalf of the society as a whole, assumed direct responsibility for the development of industry. The State's direct involvement in the development of industry resulted in the formation of a dominant public sector and heavily regulated private sector. To enable the government to control the course of industrial development, public utilities and industries that were essential but required heavy investments were reserved for the public sector. The private sector was subjected to controls and regulation through the Industries (Development and Regulation) Act 1951 and various policy instruments were used to guide the private sector industry into socially desired patterns. Some of the important policy instruments that have been in practice were industrial licensing, capital issues control, price controls and distribution controls. Of these, industrial licensing has been the basic and the most comprehensive instrument that has acted as a big barrier to entry and thus given assured markets to the few existing industrial units. As regards external policies, these were guided by the principle of import substitution, which in turn had been prompted to some extent by the strategy of self-reliance but to a major extent by the scarcity of foreign exchange. The continuing and often acute shortage of foreign exchange involved the use of policy instruments like import licensing, quantitative restrictions on
imports and high tariff rates. In addition, there were restrictions on foreign direct investment, import of technology and foreign collaborations of industrial units. All these policies together provided complete protection to Indian industry by eliminating the scope for foreign as well as internal competition. Within this generally sheltered business environment, small-scale units have been protected further through measures such as reservation of certain products for exclusive production in the small-scale sector, reservation of some of the products produced in the sector for purchase preference by government agencies, supply of scarce materials, input price concessions like lower interest rates and numerous fiscal measures such as excise duty exemptions and other tax concessions. In sum, the general trade and industrial policies that India adopted till the 1990s insulated the Indian industry from competition, domestic as well as foreign. Within this generally insulated market environment, small-scale units were further protected from the competition of large-scale units through numerous protective measures. In addition, geographical and product market segmentation gave small-scale units isolated sheltered markets. For example, product differentiation in terms of quality coupled with the existing income inequalities segmented the product market into two parts: price-sensitive and quality-insensitive segment, and price insensitive and quality-sensitive segment. Lower income households and government constitute the former segment while the higher income households constitute the latter market segment. Small-scale industrial units mostly being producers of lower quality but cheaper products cater mainly to the price-sensitive and quality-insensitive market segment. Product market segmentation exists in India for numerous consumer items such as water heaters, washing machines, pressure cookers, tape recorders, sewing machines, garments and foot wear.
Underdevelopment of infrastructure like transport created sheltered local markets for small-scale units. The only competition these units have so far faced is the competition with each other due to the overcrowding.\textsuperscript{2,18}

The business environment has, however, changed drastically since 1990s due to new economic policies. The radical shift in the Indian economic policies partly occurred due to its own macroeconomic crisis and partly as a consequence of the global trend. Globally the business environment has been changing fast. Three features of this change are of critical importance to industrial units. First, there has been a shift, for the past two decades, in the economic policies of the nations especially developing nations from 'policy regulation' to 'market orientation' exposing their industrial units to market competition to a greater extent. Second, globalization in the sense of increasing integration of world economies is taking place resulting in intensifying the market competition. Thirdly, past few decades have experienced rapid technological developments in numerous areas. All these developments have changed the methods of doing business drastically. Remarkable shift in the economic policies of many developing nations from the 'state intervention' towards 'market orientation' was apparent from the early 1980s.\textsuperscript{2,13} In India, a major reform process has been under way since July 1991 to liberalize the regulations on domestic economic transactions. Some of these reforms are the abolition of licensing requirements for investments for majority of industries, opening of hitherto reserved areas of public sector to the private sector, reduction in price controls, reforms in capital markets, etc. All these policy reforms are taking away the closed and assured markets of the Indian industry exposing it more and more to market competition. Though the reforms are yet to touch the policies directly
relating to the small-scale sector, new economic policies have already exposed this sector to market competition indirectly. For example, overall reduction in excise duties has automatically reduced the major benefit of the small-scale units, i.e., excise duty exemption. Finance sector reforms have squeezed the benefits of lower interest rates, credit guarantee schemes and priority sector lending. De-licensing along with the reduction in price controls has taken away the special advantage of obtaining scarce raw materials at nominal prices. Feeling the pressure of competition, large-scale units are trying to expand their markets by getting into the lower end as well as rural segments of the product market for many consumer goods and thus opening the sheltered markets of small-scale units created by the product and geographical market segmentation. Globalization whether taken in a limited way in terms of 'multilateral trade liberalization', or in the broader sense of 'increasing internationalization of production, distribution and marketing of goods and services', has resulted in the opening of the markets and thus leading to intense competition. 2.6 For example, the World Trade Organization (WTO) that regulates multilateral trade enforcing its member countries to remove import quotas and other import restrictions, and to reduce import tariffs. In addition, countries, especially the developing countries, are asked to stop subsidies to exports as well as to domestic goods. 2.6

With the liberalization Policy, the global competition is intensifying and there is a danger of local markets being flooded by imports. It is crucial that the SSIs should have the ability to respond effectively to this altering trend. The thrust on the SSI Sector must therefore be on enhancing competitiveness
through continued technology up-gradation and at the same time retaining employment generation.

2.4 THE PRODUCT GROUP MATRIX – SMALL SCALE SECTOR

There are about twenty-one major industry groups in the small-scale sector in India. These are listed below:

- Food Products
- Chemical & Chemical Products
- Basic Metal Industries
- Metal Products
- Electrical Machinery & Parts
- Rubber & Plastic Products
- Machinery & Parts Except Electrical goods
- Hosiery & Garments - Wood Products
- Non-metallic Mineral Products
- Paper Products & Printing
- Transport Equipments & Parts
- Leather & Leather Products
- Miscellaneous Manufacturing Industries
- Other Services & Products
- Beverages, Tobacco & Tobacco Products
- Repair Services
- Cotton Textiles
- Wool, Silk, Synthetic Fibre Textiles
- Jute, Hemp and Mesta Textiles
- Other Services
A survey of indices of industrial production (IIP) maintained for these major industry groups discloses what the sunrise industries are and on what segments the sun has set. SSI units produce an amazing variety and type of products. Over 7500 products are known to be manufactured in this sector. Even in a particular product, there would exist a broad variety of qualities or specifications catering to different market segments, particularly in consumer/household products. Small Scale sector has emerged as a major supplier of mass consumption items like

- leather and leather goods
- plastic and rubber goods
- ready-made garments
- hosiery goods, sheet metal goods
- stationery items - soap and detergents
- domestic utensils
- toothpaste and toothpowder
- safety matches
- preserved foods and vegetables
- wooden and steel furniture
- paints and varnishes etc.,

Among the sophisticated items mention may also be made of

- Television sets
- Calculators
- Microwave components
- Plastic film capacitors
- Carbon film registers
Electro-medical equipments
Electronic teaching aids
Digital measuring equipments
Air-conditioning equipments
Optical lenses
Drugs and pharmaceuticals
Electric motors
Pesticide formulators
Photographic sensitised paper
Razor blades
Collapsible tubes, etc.

2.5 PRODUCTION

The small-scale industries sector plays an essential role in the development of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very remarkable. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000. When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.
The following table exhibits the production level from 1991-92 to 2000-01 of SSI units.

### Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td></td>
</tr>
<tr>
<td>1992-93</td>
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<tr>
<td>1993-94</td>
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<td>1994-95</td>
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<td>1998-99</td>
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<tr>
<td>1999-00</td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td></td>
</tr>
</tbody>
</table>

#### 2.6 GENERATION OF EMPLOYMENT - INDUSTRY GROUP-WISE

Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%). In Chemicals & Chemical Products, Machinery parts except Electrical parts, Wood Products, Basic Metal Industries, Paper Products & Printing, Hosiery
& Garments, Repair Services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. In all other industries the contribution was less than 5%. The following table shows the employment target and achievement of SSI units during the period from 1992-93 to 1999-2000.

PER UNIT EMPLOYMENT^{2.13}

Per unit employment was the highest (20) in units occupied in beverages, tobacco & tobacco products mainly due to the high employment potential of this industry mainly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu.

Next come Cotton textile products (17), Non-metallic mineral products (14.1), Basic metal industries (13.6) and Electrical machinery and parts (11.2.) The lowest figure of 2.4 was in Repair services line. Per unit
employment was the highest (10) in metropolitan areas and lowest (5) in rural areas.

However, in Chemicals & chemical products, Non-metallic mineral products and Basic metal industries per unit employment was higher in rural region as compared to metropolitan areas/urban areas.
In urban areas highest employment per unit was in Beverages, tobacco products (31 persons) followed by Cotton textile products (18), Basic metal industries (13) and Non-metallic mineral products (12).

**Location-wise Employment Distribution**

**Rural**
Non-metallic products contributed 22.7% to employment generated in rural areas. Food Products accounted for 21.1%, Wood Products and Chemicals and chemical products shared between them 17.5%

**Urban**
As for urban areas, Food Products and Metal Products almost equally shared 22.8% of employment. Machinery parts excluding electrical, Non-metallic mineral products, and Chemicals & chemical products between them accounted for 26.2% of employment. In metropolitan areas the principal industries were Metal products, Machinery and parts except electrical and Paper products & printing (total share being 33.6%).

**State-wise Employment Distribution**
Tamil Nadu (14.5%) made the maximum contribution to employment. This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West
Bengal (8.5%) the total share being 27.7%. Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%) and Punjab (5.6%) together accounted for another 27.4%. Per unit employment was high - 17, 16 and 14 respectively - in Nagaland, Sikkim and Dadra & Nagar Haveli. It was 12 in Maharashtra, Tripura and Delhi. Madhya Pradesh had the lowest figure of 2. In all other cases it was around the average of 6.

Despite numerous policy measures for the past five decades, Indian small-scale units have remained mostly tiny, technologically backward and lacking in competitive strength. In spite of their lack of competitive strength, small-scale industrial units of India could survive so far due to product and geographical market segmentation, and policy protection. The business environment has been changing drastically in the recent times reducing the importance of these three factors. For instance, economic policy reforms of the 90s that have aimed at liberalization of domestic economic transactions and opening of the economy, are slowly taking away the policy protection to the small-scale units. The burning issue is that the protection can never be a viable alternative to the inherent competitive strength of any economic organization as it is neither possible nor feasible in the long run. Protection is a transitory measure and can be used only to give time to industrial units to improve their competitive strength. All industrial units, small or large, have to sustain themselves on their own competitive strength by successfully facing competition in the market economies. Even to provide employment in a sustainable way and at higher wages, industrial units have to be competitive and commercially viable.
2.7 COMPARISON OF THE SSI SECTOR WITH THE OVERALL INDUSTRIAL SECTOR

The small-scale sector has maintained a higher rate of growth vis-à-vis the overall industrial sector. The comparative growth rates of production for both the sectors during 2002 to 2006 are given below. 2.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate of SSI sector (%)</th>
<th>Overall industrial sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-2003</td>
<td>8.68</td>
<td>5.70</td>
</tr>
<tr>
<td>2003-2004</td>
<td>9.64</td>
<td>6.90</td>
</tr>
<tr>
<td>2004-2005</td>
<td>10.88</td>
<td>8.40</td>
</tr>
<tr>
<td>2005-2006</td>
<td>12.32</td>
<td>8.10</td>
</tr>
</tbody>
</table>
2.8 SPECIAL SCHEMES FOR SSI

The Small & Medium Enterprises (SME) sector is one of the fastest rising industrial sectors all over the world. Many countries of the world have established a SME Development Agency (SMEDA) as the nodal agency to coordinate and oversee all Government interventions in respect of the growth of this sector.

In Indian context, though a separate medium sector is not defined, the Office of Development Commissioner (Small Scale Industries) also has known as Small Industries Development Organization (SIDO) functions as the nodal Development Agency for small industries. SIDO functions under the Ministry of SSI (Ministry of Small Scale Industries).

SIDO was established in 1954 on the basis of the suggestion of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, handholding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, tool maintaining, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. SIDO provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.
Consequent to the increased globalization of the Indian economy, small industries are required to face new challenges. SIDO has recognized the altered environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to SSIs. Global trends and national developments have emphasized SIDO’s role as a vehicle of growth of small enterprises in the country.

SIDO operates a number of schemes for the SSI sector. At a glance these are:

1. **Credit Linked Capital Subsidy Scheme for Technology Upgradation** - Capital subsidy @ 12% upto Rs. 4.8 lakhs on loans taken for technology up-gradation - for individual SSIs.

2. **Credit Guarantee Scheme** - Collateral free loans upto a limit of Rs.25 lakhs - for individual SSIs.

3. **ISO 9000/ISO 14001 Certification Reimbursement Scheme** - Incentive Scheme of Reimbursement of expenses for acquiring Quality Management System (QMS) ISO 9000 certification/environment management (EMS) ISO 14001 certification to the extent of 75%. - For individual SISIs/Ancillary/tiny/SSSBE units

4. **Participation in International Fairs** - Full subsidy on space rent and shipment of exhibits of SSI units - for individual SSIs

5. **Purchase and Price Preference Policy** - This is administered through the Single Point Registration Scheme of NSIC. Under this, 358 items are reserved for exclusive purchase from SSI by Central Government. Other facilities include tender documents free of cost,
exemption from earnest money and security deposit and 15% price preference in Central Government purchases - for individual SSI

6. **Prime Minister's Rozgar Yojana-PMRY** (Scheme of Ministry of ARI) - Project limit upto Rs. 1 lakh for business and Rs.2.00 lakhs for other activities, subsidy and margin money upto 20% of project with balance as loan. - for entrepreneurs. SSI

7. **Small Industry Cluster Development Programme** - For promoting technology up-gradation in clusters for a group of SSI units of one industry.

8. **Integrated Infrastructure Development (IID Scheme)** - Assistance upto 40% or Rs.2.00 crores, whichever is less for setting up industrial estates for SSI units. For NE, assistance is 80% or Rs.4.00 crores - for State Governments/industry associations/NGOs.

9. **Mini Tool Rooms** - Assistance upto 90% or Rs.9.00 crores, whichever is less for setting up new Mini Tool Rooms. For upgradation of existing Tool Rooms, assistance is 75% or Rs.7.5 crores - for State Governments.

10. **Testing Centres** - Assistance upto a 50% or Rs.50 lakhs, whichever is less for setting up Testing Centres - for industry associations.

11. **Sub-Contracting Exchanges** - One time grant for procurement of hardware and thereafter matching grant on tapering basis at 50%, 30% and 10% of running expenses, not exceeding Rs. 1.25 lakhs, Rs. 0.75 lakhs and Rs. 0.25 lakhs respectively during the initial three years, subject to a ceiling of Rs. 1.57 lakhs per exchange - for industry associations.

12. **SSI MDA** - The scheme offers funding upto 90% in respect of to and fro air fare for participation by SSI Entrepreneurs in overseas
fairs/trade delegations. The scheme also provide for funding for producing publicity material (upto 25% of costs) Sector specific studies (upto Rs. 2 lakhs) and for contesting anti-dumping cases (50% upto Rs. 1 lakh) - *for individual SSIs & Associations.*

13. **Assistance to Entrepreneurship Development Institutes** - For strengthening training infrastructure in EDIs, assistance upto 50% or Rs. 50 lakhs whichever is less - *for State Governments.*

14. **Scheme of Micro Finance Programme**

**National Small Industries Corporation Ltd. (NSIC)**

The National Small Industries Corporation Ltd., (NSIC), was developed by the Government in 1955 as a Public Sector Company, with a vision to promote, helping and nurturing the growth of micro, small and medium enterprises (MSMEs) in the country, with focus on commercial feature of their operations. NSIC implements numerous schemes to help the MSMEs in the areas of raw material procurement, product marketing, credit rating, acquisition of technologies, adoption of improved management practices, etc. through its 7 Zonal Offices, 26 Branch Offices, 15 Sub Offices, 5 National Technical Services Centres, 2 Software Technology Parks and 3 Technical Services Extension Centres, spread practically all over the country.

**National Entrepreneurship Development Institutes (EDIS)**

Entrepreneurship development and training is one of the key elements for the encouragement of Micro, Small and Medium Enterprises (MSMEs), mainly, the first generation entrepreneurs. To carry out this task on regular basis, the Ministry has set up 3 national-level Entrepreneurship
Development Institutes, viz National Institute of Small Industry Extension Training (NISIET) at Hyderabad, National Institute of Entrepreneurship and Small Business Development (NIESBUD) at Noida and Indian Institute of Entrepreneurship (IIE) at Guwahati, as autonomous societies. These institutes are engaged in the development of training modules, undertaking research and training and providing consultancy services for entrepreneurship development and promotion of MSMEs.

**Credit Guarantee Fund Scheme For Small Industries**

Government introduced the Credit Guarantee Fund Scheme for Small Industries in May 2000, with the objective of making available credit to SSI units, particularly tiny units, for loans up to Rs. 10 lakh without collateral/ third party guarantees. The scheme is being operated by the Credit Guarantee Fund Trust for Small Industries (CGTSI) set up jointly by the Government of India and SIDBI. The loan limit under the scheme has been improved to Rs. 25 lakh per borrower.

The scheme covers collateral-free credit facility (term loan and/ or working capital including non fund based working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs.25 lakh per borrowing unit. The guarantee cover is up to 75% of the credit sanctioned subject to maximum guarantee limit of Rs. 18.75 lakh. However, the Member Lending Institutions (MLIs) are allowed to extend additional credit facilities against collateral security and/ or third party guarantee to the borrowers already covered under the scheme in those cases where the credit facility already covered under the scheme has reached the ceiling of Rs.25 lakh. The MLIs availing guarantee from the Trust have to
pay one time Guarantee Fee of 1.5% and Service Fee of 0.75% per annum of the credit facility sanctioned by the lending institution to the borrower.

The Credit Guarantee Scheme was initially approved for one year with a corpus of Rs.125 crore contributed by the Government of India and SIDBI in the ratio of 4:1. Subsequently, Government decided to continue the scheme beyond one year and the Finance Minister in the Budget 2006-07 had announced that the corpus fund will be raised to Rs.2500 crore by 2010-11. The corpus of CGTSI has been enhanced to Rs.1336.55 crore with the contribution of Rs.1069.25 crore from the GoI and Rs.267.30 crore from SIDBI.

As on 31st December 2006, 59 eligible institutions comprising 28 Public Sector Banks, 13 Private Sector Banks, 15 Regional Rural Banks (RRBs), National Small Industries Corporation (NSIC), North Eastern Development Finance Corporation (NEDFi) and Small Industries Development Bank of India (SIDBI) have become Member Lending Institutions (MLIs) of CGTSI for participating under the Credit Guarantee Scheme.

**Micro Finance Programme**

Government has launched a revised Scheme under the Micro Finance Programme of SIDBI in 2003-04. Government of India provides funds for Micro-Finance Programme to SIDBI under a ‘Portfolio Risk Fund’ (PRF), which is used for security deposit requirement of the loan amount from the MFIs/NGOs. At present, SIDBI takes fixed deposit equal to 10% of the loan amount. Under the PRF, the share of MFIs/NGOs is 2.5% of the loan amount (i.e. 25% of security deposit) and balance 7.5% (i.e. 75% of security
deposit) is adjusted from the funds provided by the Government under the scheme.

On 31st December 2006, Government has released an amount of Rs.9 crore towards ‘Portfolio Risk Fund’ (PRF). Of this, Rs.7.64 has been utilized by SIDBI upto December 2006. The funds under PRF are utilized for extending loans in the hitherto underserved States (viz., North Eastern States including Sikkim, Bihar, Jharkhand, West Bengal, Orissa, Madhya Pradesh, Chattisgarh, Uttar Pradesh, Jammu & Kashmir, Rajasthan and Uttaranchal) and less-served States. On 31st December 2006, cumulative loan amount of Rs.101.87 crore has been provided to MFIs/NGOs under the scheme, thereby benefiting 3.21 lakh persons.

**Credit Linked Capital Subsidy Schme (CLCSS)**

The Ministry of Small Scale Industries (SSI) is operating a scheme for technology upgradation of Small Scale Industries (SSI) called the Credit Linked Capital Subsidy Scheme (CLCSS). The Scheme aims at facilitating technology upgradation by providing straight capital subsidy to SSI units, including tiny, khadi, village and coir industrial units, on institutional finance (credit) availed of by them for modernization of their production equipment (plant and machinery) and techniques. The Scheme (pre-revised) provided for 12 per cent capital subsidy to SSI units, including tiny units, on institutional finance availed of by them for induction of well established and improved technology in selected sub-sectors/products approved under the Scheme. Further, in the light of the experience gathered in implementing the Scheme, certain other modifications as under were also made in it to make it
more useful to the SSI units, including tiny, khadi, village and coir industrial units, in taking up technology up-gradation on a larger scale:

(a) The ceiling on loans under the Scheme was raised from Rs. 40 lakh to Rs. 1 crore
(b) The rate of subsidy was enhanced from 12 per cent to 15 per cent;
(c) The admissible capital subsidy is to be calculated with reference to the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit;

Year-wise details of approvals given under the CLCSS are as under

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units assisted</th>
<th>Amount of sanctioned (Rs. lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002</td>
<td>9</td>
<td>21.36</td>
</tr>
<tr>
<td>2002-2003</td>
<td>47</td>
<td>93.97</td>
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<tr>
<td>2003-2004</td>
<td>150</td>
<td>368.79</td>
</tr>
<tr>
<td>2004-2005</td>
<td>526</td>
<td>1351.89</td>
</tr>
<tr>
<td>2005-2006</td>
<td>699</td>
<td>1801.17</td>
</tr>
</tbody>
</table>
2.9 POLICY INITIATIVES IN RECENT PAST

Micro, Small And Medium Enterprises Development Act, 2006

There was a very old demand from entrepreneurs, small industry associations and related stakeholders for a single extensive legislation. The “Micro, Small and Medium Enterprises Development (MSMED) Act, 2006” is the first Act for micro, small and medium enterprises which, inter alia, provides for establishment of a statutory National Board for Micro, Small and Medium Enterprises, filing of memoranda, measures for promotion, development and enhancement of competitiveness of micro, small and medium enterprises, credit facilities, procurement preference and provisions related to delayed payments to micro and small enterprises. The medium sector has been defined for the first time in India and Micro enterprises have been defined for the first time in this Act.

Categorization Of Industries

Under the MSMED Act 2006, the earlier, rather limited, concept of ‘Industries’ has been broadening to that of ‘Enterprises’. Enterprises have been classified broadly into two categories, namely enterprises engaged in the manufacture/production of goods pertaining to any industry; & enterprises engaged in providing/rendering of services. Enterprises have been defined in terms of investment in plant and machinery/ equipment (excluding land & building).
Definition of MSM Enterprises\textsuperscript{2,4}

Investment in plant and machinery/equipment (excluding land and building)

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing Enterprises</th>
<th>Service Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro</strong></td>
<td>Up to Rs. 25 lakh</td>
<td>Up to Rs. 10 lakh</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td>More than Rs. 25 lakh and up to Rs. 5 crore</td>
<td>More than Rs. 10 lakh and up to Rs. 2 crore</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>More than Rs. 5 crore and up to Rs. 10 crore</td>
<td>More than Rs. 2 crore and up to Rs. 5 crore</td>
</tr>
</tbody>
</table>

WTO Cell\textsuperscript{2,4}

A separate WTO Cell in the Office of Development Commissioner (Small Scale Industries) was set up to coordinate the newest developments in regard to World Trade Organization. The objectives of the Cell inter-alia include

(a) To keep abreast with the recent developments in the WTO,
(b) To disseminate information to SSI Associations and other stakeholders about the various aspects of WTO & its likely implications for the small enterprises,
(c) To coordinate with other Ministries and Departments of the Govt. of India,
(d) To assist policy formation for MSMEs in conforming with the provisions of WTO Agreements and
(e) To organize WTO Sensitization Workshops/Seminars for creating awareness, capacity building and sectoral study.
2.10 SMALL SCALE INDUSTRY – EXPORT

SSI Sector plays a key role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is projected that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods. It would surprise many to know that non-traditional products account for more than 95% of the SSI exports.

The exports from SSI sector have been clocking outstanding growth rates in this decade. It has been mostly fuelled by the performance of garments, leather and gems and jewellery units from this sector. The product groups where the SSI sector dominates in exports are sports goods, readymade garments, woolen garments and knitwear, plastic products, processed food and leather products. The SSI sector is reorienting its export strategy towards the new trade regime being leaded in by the WTO.
Major Export Markets

An evaluation study has been done by A.C. Nielsen on behalf of Ministry of SSI. As per the findings and suggestions of the said study the major export markets identified having potential to enhance SSIs exports are US, EU and Japan. The potential items of SSIs have been categorized into three broad categories. They are:

1. Potential items of SSI amongst the top 100 imports of the major market not figuring in top 100 exports of India to the major markets. The product groups that hold potential for SSI exports are agriculture, marine and allied products along with engineering/electrical/electronic product group. Japan is a potential market for exporting agriculture, marine and allied products whereas the European union and the US can be tapped for enhancing SSI exports of engineering/electrical and electronic items.
2. Potential items of SSI amongst the top 100 exports of India to the major markets not figuring in top 100 imports of the major markets: - The major thrust areas for SSI exports are agriculture and allied, chemicals, plastic items, leather and textile product groups. The US and EU have been recognized as the potential markets for textile whereas export of chemicals product groups holds a potential for Japan.

3. Potential items of SSI amongst the top 100 imports of the major markets and also figuring in top export of India to the major markets. The potential for SSI is in various product groups like agriculture, marine and allied, chemicals and allied, leather items, textiles and other items. The EU has been identified as the potential market for textiles including sports equipments whereas export of leather items holds potential for the US and the EU.

As regards the steps undertaken to enlarge the export potential of SSI sector, this Ministry has been participating in product specific as well as general display in India and abroad every year, and has been organizing export marketing training programmes and also on packaging for exports. Sector Specific Market Studies are conducted for selected SSI categories. Individual assistance for participation in overseas fairs, study tours and also production of publicity materials for overseas publicity are provided to the SSI entrepreneurs.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>PRODUCT GROUP</th>
<th>MAIN DESTINATION (COUNTRIES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Readymade Garments</td>
<td>USA, Europe, Canada, West Asia, North Africa.</td>
</tr>
<tr>
<td>2.</td>
<td>Plastic items</td>
<td>UAE, China, Italy, Saudi Arabia, Oman.</td>
</tr>
<tr>
<td>3.</td>
<td>Marine products</td>
<td>Japan, USA, European Union, China, South East Asia.</td>
</tr>
<tr>
<td>4.</td>
<td>Sports goods</td>
<td>UK, USA, Australia, Germany, South Africa.</td>
</tr>
<tr>
<td>5.</td>
<td>Spices</td>
<td>East Asia, European Union, North African Zone &amp; American Zone</td>
</tr>
<tr>
<td>6.</td>
<td>Cashew items</td>
<td>USA, Netherlands, UK, Japan &amp; UAE.</td>
</tr>
<tr>
<td>7.</td>
<td>Shellac items</td>
<td>Indonesia, Germany, Arab Republic Emirates, USA &amp; Italy.</td>
</tr>
<tr>
<td>8.</td>
<td>Synthetic items (MADEUPS)</td>
<td>UAE, UK, Turkey, USA &amp; Italy.</td>
</tr>
<tr>
<td>9.</td>
<td>Leather &amp; Leather items</td>
<td>Germany, UK, Italy, USA &amp; France.</td>
</tr>
<tr>
<td>10.</td>
<td>Engineering &amp; Elect. items</td>
<td>USA, Europe, Japan, Hong Kong, UAE, Germany, Belgium &amp; France</td>
</tr>
<tr>
<td>11.</td>
<td>Basic Chemical &amp; Cosmetic</td>
<td>USA, Japan, Saudi Arab, China, Singapore &amp; Netherlands.</td>
</tr>
<tr>
<td>12.</td>
<td>Chemical &amp; Allied products.</td>
<td>Japan, Belgaum, Italy, France, Bangla Desh, USA &amp; UK.</td>
</tr>
<tr>
<td>13.</td>
<td>Wool &amp; Woollen (MADEUPS), Knitted Garments etc</td>
<td>Europe, Japan, Bangla Desh</td>
</tr>
<tr>
<td>14.</td>
<td>Processed Food</td>
<td>USA, Europe, Japan.</td>
</tr>
<tr>
<td>items</td>
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<td>-------------------------------------------</td>
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<tr>
<td>15. Electronic items &amp; Computer Software</td>
<td>USA, Hong Kong, UAE, UK, Germany &amp; Japan</td>
<td></td>
</tr>
<tr>
<td>16. Tobacco &amp; Tobacco items</td>
<td>East Europe</td>
<td></td>
</tr>
</tbody>
</table>

**2.11 OPPORTUNITY**

The opportunities in the small-scale sector are enormous due to the following factors:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products
- Growth in Requirements for ancillary units due to the increase in number of greenfield units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our
country to achieve a wide measure of industrial growth and
diversification.

By its less capital intensive and high labour absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the appropriate time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will make sure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will permit complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have guaranteed the presence of this sector in an astonishing variety of products, particularly in consumer goods. However, the worry of the sector has been the insufficiency in capital, technology and marketing. The process of liberalization coupled with Government support will therefore, attract the infusion of just these things in the sector. Small industry sector has performed exceptionally well and enabled our country to achieve a wide measure of industrial growth and diversification.
REFERENCES


2.4. Annual Report 2006-2007, Ministry of Small Scale Industries, Delhi, India


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