SMALL SCALE AND COTTAGE INDUSTRIES - A PROFILE

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CHAPTER II

SMALL SCALE AND COTTAGE INDUSTRIES – A PROFILE

Small Scale Industries have become an indispensable tool in bringing about a balanced, integrated socio economic order in the country. In a developing economy, they occupy a prominent position as they are capital scarce and labour intensive in nature. They have been assigned a significant role in the industrialisation and economic development of India as an effective tool in subserving the national objective of growth with social justice. Its importance has been increasingly recognised in India as a solution for the problem of scarcity of capital and widespread unemployment and underemployment. The small scale industries are considered as harbingers of economic progress and responsible for transformation of the traditional economy into an industrial one.\(^1\) The large scale units fail to develop local resources and entrepreneurship. Further, they are structured in a highly centralised manner and this doesn't give scope for decentralisation. The small and tiny sector has emerged as a dynamic and vibrant sector of the Indian economy. They act as a quick and convenient tool of carrying industrialization to the rural areas, potential to generate employment opportunities, less capital requirements, balanced industrial development,

\(^1\) Birendra Kumar Dixit, 'Small Scale Industries, ills and remedies', Yojana 1-15, 1988, p.16.
diffused ownership of industries, helping equitable distribution of income and wealth and contribution towards entrepreneurial promotion in the country. They have contributed substantially towards industrial growth in recent years. Infact, small scale sector in the country now accounts for over 55 percent of the total value of industrial production and contributes over 40 percent of the country's exports. In terms of employment, this sector provides self employment and wage employment to over 175 lakh people in 31.75 lakh units. The small scale industries have contributed over 100 lakh entrepreneurs.²

The employment generating capacity of small scale industries could be noted from the fact that in India, rupees one lakh of investment in plant and machinery in this sector provides employment to 21-25 persons, while in large scale units, the same amount of investment provides employment to only 4 persons.

India has a rich and glorious tradition in small industries. The fine textile fabrics of India like Dacca Muslin and Kashmir Shawle, were known to the outside world as far back as 2000 B.C. There was also a well known non-textile group consisting of handicrafts of all sorts such as metal working, arms and shields manufacture, enameled jewellery, stone carrying gold and

silver thread work etc. In regard not only to cotton textiles and light metals but also to iron manufacturing, India had attained world fame.

With the introduction of the Five year plans, attempts were made to study and remove the difficulties confronting small industries, and to plan them systematically as an integral part of the industrialisation of the Country.³

Much importance was given to the development of small scale industries in many countries of Asia, Africa and Latin America, because of the labour intensive techniques and use of surplus manpower. In many developing and developed countries like Japan, U.S.A, Italy, Canada, United Kingdom and Korea also the small and tiny sector holds the key to industrial development. Each country has given emphasis to the development of SSI as an effective tool for social transformation. Thus it is remarked that the small scale sector is an important component of national industrial base and the driving force of developmental effort.⁴

There are wide variations in the definition of small scale industries in different countries based on the criteria of investment and employment. In India the definition has moved from investment in fixed assets cum level of


⁴ Dr. Shanker Dayal Sharma, 'Special Report on National award to Small Entrepreneurs', Laghu Udyog, November 1994.
employment to exclusively an investment in Plant and machinery. The definition of small scale industries has been undergoing changes from time to time since 1954. There are 50 different definitions of small scale industries in 75 countries of the world.⁵

For developing economics "Small firms will generally mean those with fewer than 50 workers and the very small those with fewer than 10 workers. the term 'Cottage shop' will be used for enterprise with fewer than 5 workers which manufacture at home or in small workshop."⁶

The working group of the Economic Commission for Asia and Far East (ECAFE) had defined SSI as establishment employing not more than 20 persons when using power or 50 persons when not using power.⁷

In India, the definition of SSI poses many problems for researchers because of its frequent alteration. Even the official definition underwent a lot of changes during the preceding years because the development might not be retarded on account of purely legalistic interpretation. The SSI Board stressed the flexibility in interpreting the definitions.

In 2001, the Industrial policy planners in the small scale industries Board defined SSI on the basis of investment in plant and machinery and specified that an industry whose investment in plant and machinery is not exceeding rupees 1 crore come under SSI and an industry whose investment in plant and machinery is not exceeding rupees 25 lakhs come under tiny sector.\(^8\)

Previously, the various state directorate of Industries restricted the term 'Small scale to such industrial establishment which employ less than 20 workers without the use of power and less than ten workers using power.'\(^9\)

In 1955, the Development Commissioner for SSI, ministry of commerce and industry defined a SSI unit as a unit employing less than 50 persons using power and less than 100 persons without the use of power with capital assets, not exceeding rupees 5 lakhs. The term 'capital assets' used in the government definition was vague. The government did not adopt any definite views on this matter namely, did it signify investment in fixed assets, like plant and machinery or investment in Land and Building or both.

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\(^8\) Govt. of Kerala, 'Directorate of Industries & Commerce', Trivandrum.

However, the SSI Board defined the capital assets to include Land, Buildings and equipment.\(^{10}\)

In 1960, the limit in terms of number of persons was deleted. Accordingly SSI, were those industrial units whose capital assets were not exceeding rupees 5 lakhs irrespective of the number of persons employed. In the case of ancillary industries which produced and supplied spare parts to the large scale industries, the ceiling on investment in capital asset was raised to rupees 10 lakhs.\(^{11}\)

In 1966, due to the devaluation of rupees (and this increased the cost of imported machines), the SSI Board, Government of India recommended a revision in the definition of small scale industries. The Government accepted the recommendation in June 1966 and accordingly the investment limit of SSI was raised to rupees 7.5 lakhs.\(^{12}\)

In 1975 there was an increase in the price of capital assets and hence the definition of small scale and ancillary industries was revised. According to the revised definition, an SSI is an undertaking having investment in fixed


\(^{11}\) Dr. Sivayya and Das, 'Indian Industrial Economy', S. Chand & Co. Ltd., 1978, p.99.

asset not exceeding rupees 10 lakhs and in the case of ancillary Industries the investment in fixed assets was not to exceed rupees 15 lakhs.13

In 1980 the central government revised the definition of SSI. Accordingly the investment limit was raised to rupees 20 lakhs and for tiny units the limit was raised to rupees 2 lakhs. In 1985 and 1991 the investment limits were again enhanced to rupees 35 lakhs and 60 lakhs respectively in respect of SSI.

SMALL SCALE INDUSTRIAL SECTOR

It's seen that India's interest in modern SSI began only after the experts from foreign countries – Ford Foundation Team (America) and the team of Japanese Experts – visited this country in the early fifties. They recommended the setting up of modern small scale units. They opined that SS units were ideally suited for a densely populated economy like that of India with a serious dearth of financial and technical resources.

It is said in the report of the Development Commissioner on small industries, Government of India, that SSI had carried the message of industrialisation to the nooks and corners of the country. It is recognised that this sector has been making its due contribution to the economic growth in terms of contribution to national income, industrial production, employment

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and such other factors. The number of small scale units, production, Employment, Exports, and percentage share of total export over various years are shown in Table 2.1.

TABLE 2.1

Over all growth of SSI sector since 1951-52

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (lakhs)</th>
<th>Production at current price (Rupees crores)</th>
<th>Employment (Lakhs)</th>
<th>Export (Rupees crores)</th>
<th>Percentage share of Total Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>0.16</td>
<td>615</td>
<td>7.00</td>
<td>40</td>
<td>5.2</td>
</tr>
<tr>
<td>1960-61</td>
<td>0.37</td>
<td>1280</td>
<td>14.00</td>
<td>15</td>
<td>6.5</td>
</tr>
<tr>
<td>1965-66</td>
<td>1.31</td>
<td>2850</td>
<td>30.00</td>
<td>210</td>
<td>8.4</td>
</tr>
<tr>
<td>1974-75</td>
<td>4.98</td>
<td>9200</td>
<td>40.40</td>
<td>541</td>
<td>16.3</td>
</tr>
<tr>
<td>1980-81</td>
<td>8.74</td>
<td>28060</td>
<td>71.00</td>
<td>1643</td>
<td>24.5</td>
</tr>
<tr>
<td>1984-85</td>
<td>12.42</td>
<td>50520</td>
<td>90.00</td>
<td>2553</td>
<td>21.7</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82</td>
<td>178699</td>
<td>124.80</td>
<td>13883</td>
<td>31.5</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.29</td>
<td>356213</td>
<td>152.61</td>
<td>36470</td>
<td>34.2</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.57</td>
<td>412636</td>
<td>160.00</td>
<td>39249</td>
<td>33.4</td>
</tr>
<tr>
<td>1997-98</td>
<td>30.14</td>
<td>465171</td>
<td>167.20</td>
<td>44442</td>
<td>35.2</td>
</tr>
<tr>
<td>1998-99</td>
<td>31.21</td>
<td>538357</td>
<td>171.58</td>
<td>49481</td>
<td>34.9</td>
</tr>
<tr>
<td>1999-00</td>
<td>33.50</td>
<td>587225</td>
<td>182.00</td>
<td>48500</td>
<td>34.5</td>
</tr>
<tr>
<td>2000-01</td>
<td>35.00</td>
<td>625000</td>
<td>190.00</td>
<td>54800</td>
<td>35.00¹⁴</td>
</tr>
</tbody>
</table>

In 1951-52 the number of SSI units was only 16000 and its production worth rupees 615 crores. The number of employment was 7 lakhs and its export accounted for rupees 40 crores. The percentage share of total exports was 5.2 per cent. In 1960-61 total number of units was increased to 37000 with an annual production worth 1280 crores and export of rupees 15 crores. The number employed were 14 lakh persons. The percentage share of total export was 6.5 per cent.

In 1974-75, there were 4.98 lakh SSI units in India which gave employment to 40.40 lakh persons, with a total production of rupees 9200 crores and rupees 541 crores exports. The share of SSI to total export was 16.3 per cent.

In 1980-81 the number of units was increased to 8.74 lakhs. The total production amounted to rupees 28060 crores and the number employed was 71 lakhs. Its share of export accounted 24.5 per cent.

In 1984-85 the number of units was again increased to 12.42 lakhs. The total accounted production was rupees 50520 crores. The percentage share of export declined to 21.7 per cent in that year.

In 1991-92 the number of units was increased to 20.82 lakhs. The decade growth of SSI in number was 3 times that in 1980-81.
In 1995-96 there were 27.29 lakh SSI units working in India with an annual production of rupees 3.56213 crores. It employed 152.61 lakh persons. The total export of this sector during this year was 36470 crores which was 34.2 per cent of the total exports of India.

In 1998-99 there were 31.21 lakhs SSI units working in India with an annual production of 5,38,357 crores. It employed 171.58 lakh persons. The total export of this sector was Rs.49,481 crores which was 34.9 per cent of the total exports of India.

In 2000-01 there were 35 lakh SSI units working in India. It employed 190 lakh persons. The annual production was worth rupees 625000 crores and exports accounted for rupees 54800 crores which was 35 per cent of the total export of the country. It is observed that the growth rate of SSI since 1951-52, in number of units is 218.75 times. The increase in production is 1016 times and increase in percentage share of export 6.73 times that of 1951-52. The increase in number of employment is 27 times of that in 1951-52. Thus the table shows how big the small scale sector in our country is. There are 798 items, which are reserved to be produced as leading products by small scale units in India.15

15 Govt. of Kerala, District Industries Centre, Malappuram.
Village/Cottage Industries

In India cottage industries come under village industries.

The vast resources possessed by India couldn't be exploited to the fullest extent due to the lack of proper industrial orientation.

According to Mahatma Gandhi, there was no other country in the world where so many millions of people have only partial employment and where inspite of civilization being predominantly rural the holdings are barely one acre per head. Gandhi argued that large corporations only concentrate wealth and power in the hands of a few. Poverty of India can be eradicated only with the prosperity of villages. In India, full time employment is almost unknown. Only 1.7 per cent of the work force have full employment. The special nature of poverty in India is that the poor are at work, but are not able to earn enough for them and their families. Hence village and cottage industries play a great role in the development of our country. If villages develop, it would lead to reciprocal prosperity of the village and the city. In our country, where large number of people are unemployed, production by the masses rather than mass production should be our ideal. Gandhiji saw both economic and human values in the revival of village and cottage industries.

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Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country. The capital labour ratio of village and cottage industry is very small. The Indian traditional labour which is evicted from the traditional industries, due to severe competition from large scale industries, cannot find a remunerative employment in the agricultural sector as it is already overcrowded. Large scale industries and the organised sector make only a very poor show with regard to absorption of Labour.

Village and cottage industries can be distributed in different areas easily. It can be introduced in backward areas. For many village and cottage industries, electric power is not required. It helps to identify and inspire confidence in small entrepreneurs who would otherwise remain unemployed or underemployed.

Village and cottage industries is a blessing to Indian economy which is always under the threat of inflation. As the installation and running of village and cottage industries, do not require much time, it can help to increase in production within a short time. Village and cottage industries require only rupees 13000 to 15,000 for providing employment to one person.

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18 Govt. of India, 'National Planning Commission Second Five Year Plan', 1956, p.47.

As the number of employees is not big, village and cottage industries are not prone to labor problems and consequent stoppage. Even a unit facing temporary closure will not affect the economy very much as its individual share in the economy is quite insignificant.

The production of the village industries can be in tune with the changes in the taste and fashions of the individuals. Some of the village and cottage industries like bee-keeping can adjust with the changing situations by changing their location itself. This is possible because the production units are rather small. They mainly produce consumer goods which meet the ever-growing demand for consumer goods. Similarly, local processing of raw material by using simple technology would not create any environmental pollution problem. Thus, the development of villages will help to reduce the influx of rural folk to the townships.

**Small Scale and Cottage Industries under Five Year Plans**

Small scale and cottage industries have been assigned an important role in the five-year plans. During the plan period, the government of India has initiated several programmes and policies for the promotion of small scale and cottage industries sector. The progressive allocations made in the five-year plans, the creation of promoting and supporting organisations, and the nationalisation of commercial banks reflect the spirit and effort of government towards the creation of a favorable climate for the growth of
small scale and cottage, industrial sector. The total outlay on small scale and
cottage industries in successive five year plans can be seen in Table 2.2
following.

**TABLE 2.2**  
**Outlay on SSI and Village Cottage Industries in**  
**Successive Five year Plans**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Outlay on SSI &amp; cottage industries (Rupees in crores)</th>
<th>SSI including industrial Estate (Rupees in crores)</th>
<th>Percentage share of outlay on SSI to total outlay of SSI &amp; Cottage industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>I (1951-56)</td>
<td>42</td>
<td>5</td>
<td>11.9</td>
</tr>
<tr>
<td>II (1956-61)</td>
<td>187</td>
<td>56</td>
<td>29.9</td>
</tr>
<tr>
<td>III (1961-66)</td>
<td>241</td>
<td>113</td>
<td>46.9</td>
</tr>
<tr>
<td>Annual (1966-69)</td>
<td>126</td>
<td>54</td>
<td>42.9</td>
</tr>
<tr>
<td>IV (1969-74)</td>
<td>243</td>
<td>96</td>
<td>39.5</td>
</tr>
<tr>
<td>V (1974-79)</td>
<td>611</td>
<td>222</td>
<td>36.3</td>
</tr>
<tr>
<td>Annual (1979-80)</td>
<td>290</td>
<td>105</td>
<td>36.2</td>
</tr>
<tr>
<td>VI (1980-85)</td>
<td>1780</td>
<td>616</td>
<td>34.2</td>
</tr>
<tr>
<td>VII (1985-90)</td>
<td>2753</td>
<td>1121</td>
<td>40.7</td>
</tr>
<tr>
<td>Annual (1990-91)</td>
<td>N.A</td>
<td>329.13</td>
<td>N.A</td>
</tr>
<tr>
<td>Annual (1991-92)</td>
<td>N.A</td>
<td>482.86</td>
<td>N.A</td>
</tr>
<tr>
<td>VIII (1992-97)</td>
<td>6334.20</td>
<td>2862.14</td>
<td>45.19</td>
</tr>
</tbody>
</table>
| IX (1997-02)  | 4508                                                 | 2036.96                                           | 45.0                              

During 1st and II plan period, the Government spent rupees 229 crores
for the development of village, cottage and small scale industries. All India

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Boards, were set up with a view to formulating, guiding and to an extent, implementing co-ordinated programme for the development of SSI, handloom, khadi and village industries, handicrafts, coir and sericulture. An industrial extension service was developed and small industries service institute was set up in every state and 53 extension centres were also established. During the second plan period, a number of SSI especially machine tools, sewing machines, electric motors and fans, bicycles, builders, hardware and hand tools showed an increase in production varying from 25 per cent to 50 per cent. At the end of the second plan, steps were taken for the co-ordination of programmes by setting up committees for small industries consisting of the representatives of the ministers concerned and chairman of the all India Board and Khadi and Village Industries Commission.

During the first 2 years of the third plan, the progress, of the SSI sector was encouraging, then it slowed down for various reasons including the shortage of raw-materials following the Indo-China and Indo-Pak hostilities of 1962 and 1965 respectively. The outlay of this plan was rupees 241 crores.

The 4th plan envisaged a total outlay of about rupees 243 crores in the public sector for the development of cottage and small scale industries. The fuller utilisation of the capacity was the main aim of this plan. During this
plan there was a good progress in the SSI sector in terms of the creation of larger opportunities for fuller and additional part time and full time employment and also in the increase in the number of units, range of production and value of exports. The important problems for the achievement of the target fixed in the 4th five year plan were shortage of certain raw-material and inadequacy of statistical data, credit facilities, industrial extension services and marketing facilities. To overcome these problems, the government had undertaken necessary steps like supply of imported raw-material, providing financial assistance at concessional rates etc.

Of the total outlay of rupees 611.12 crores in the 5th five year plan for village, cottage and SSI, about 216.31 crores was for the small scale units in the public sector.

In the 6th plan the total outlay on SSI and cottage was 1780 crores. The estimated value of production registered a growth rate of 6.8 per cent per annum. In the year 1979-80, the contribution of village cottage and SSI was 49 per cent in terms of gross value of output. The growth rate of this plan was 9.5 per cent per annum. It was during this plan that 'nucleus' plants were established in industrially backward districts to generate a spread out network of small scale units. It was also planned to set up a steering committee on export promotion for recommending measures to boost
exports. SSIs have registered an impressive performance during this plan. This was possible by the establishment of small industries service institute (S.I.S.), The district industries centres (DIC), Central Institute of Tool Design (C.I.T.D.), Institute for design of electrical measuring instruments, the National Institute of small industry extension training, the National Institute for Entrepreneurship and small Business development (NIESBD), etc.²¹

During the 7th plan, the production is targeted to increase from rupees 50,520 crores to rupees 80,220 crores. Exports from rupees 2350 crores to rupees 4140 crores and employment from 90 lakh to 119 lakh persons. Of the total public sector outlay of rupees 2752.74 crores, rupees 1120.51 crores was allotted for SSI.

In the 8th Five year plan the total outlay for SSI and village cottage industries was rupees 6334 crores. The growth rates in respect of production, employment and exports of SSI envisaged are lower than those achieved during the 7th Five year plan. The 8th plan advised the industrial association to come forward and evolve a suitable distribution mechanism so that the interest of the sector is protected. Greater emphasis was laid on the establishment of tool rooms and provisions of training facilities to upgrade technology. During this plan period a need was felt for an agency which could take up the functions of collection, documentation and the storing of

²¹ Govt. of India, 'Five Year Plans', New Delhi, Planning Commission, p. 325.
information on technology, conducting studies and the preparation of technology guidelines, assessing the need for establishment of tool rooms, testing centres, etc. The establishment of 70 growth centres also has been envisaged in this plan. The plan proposed to earmark a certain percentage of developed industrial area for small industries.

During the 9th Five year plan, the total outlay on village cottage and SSI was worth rupees 4508 crores and the outlay on SSI including industrial estates was rupees 2036.96 crores which is 45 per cent of the total outlay on village and SSI. The main highlight of the 9th Five year plan strategy for the SSI and village cottage industries sector was the incentive and support to facilitate their growth and employment. It was ensured that foreign investment doesn’t displace such industries. The investment limits for SSI sector were revised to take account of inflation and to enable the achievement of minimum economics of scale and upgradation of technology so as to withstand emerging competition. The list of items reserved for SSI reviewed credit flow to SSI also augmented. The financial institutions were motivated to offer factoring services. The coverage of programme such as Prime Ministers Rozgar Yojana (PMRY) enlarged to create new self employment opportunities for the educated unemployed. The Khadi and Village

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Industries centres were organizationally and financially strengthened to be able to generate more job opportunities under the 2 million Job programmes in khadi and village industries. Technology development and upgradation in the village small industries sector especially in the case of SSI, handlooms powerlooms, 24 handicraft, wool etc. received special attention.

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24 Govt. of India, Approach Paper to IX the Five Year Plan, Planning Commission, page 69-70.
Proposals of the 10th Five Year Plan (2002-07)

The 10th Five year plan realises the importance of village cottage and small scale industries. Various steps are proposed for its upliftment. Liberalisation of control at the state level is one of the steps. Equally important is the need to ensure adequate credit available to SSI units. A proactive policy for encouraging banks to meet the needs of SSI while maintaining all necessary banking diligence in credit appraisal is necessary. Procedures for credit and disbursement in the public sector banking need to be modernized to ensure quick response. The reservation of certain items for SSI also needs to be considered. There is also a need for preferential opportunity to extend investment limits for SSI units with immediate effect, while restricting entry of new large units for the time being. These issues should be examined and a clear policy laid down at the start of the 10th five year plan period.25 The outlay of this plan for khadi and village industries sector is rupees 1850 crores and the expected employment opportunity is 20 lakh persons.

Table 2.3 shows the performance of village cottage industries in various Five year plans.

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25 Govt. of India, '10th Five Year Plan', Planning Commission, New Delhi, 2002-7, p.34.
TABLE 2.3

Village cottage industries in the Five Year Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Villages covered (in Lakhs)</th>
<th>State KVIB (Nos.)</th>
<th>Production (Rupees crores)</th>
<th>Sales (Rupees crore)</th>
<th>Employment (Nos. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>N.A</td>
<td>2</td>
<td>10.93</td>
<td>0.90</td>
<td>3.87</td>
</tr>
<tr>
<td>II</td>
<td>N.A</td>
<td>14</td>
<td>33.16</td>
<td>28.36</td>
<td>6.81</td>
</tr>
<tr>
<td>III</td>
<td>N.A</td>
<td>15</td>
<td>55.87</td>
<td>49.73</td>
<td>8.77</td>
</tr>
<tr>
<td>Annual Plans</td>
<td>N.A</td>
<td>15</td>
<td>75.12</td>
<td>63.98</td>
<td>7.72</td>
</tr>
<tr>
<td>IV</td>
<td>N.A</td>
<td>20</td>
<td>122.40</td>
<td>115.64</td>
<td>9.28</td>
</tr>
<tr>
<td>V</td>
<td>1.25</td>
<td>24</td>
<td>243.97</td>
<td>242.01</td>
<td>14.96</td>
</tr>
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<td>Annual Plan</td>
<td>1.30</td>
<td>24</td>
<td>347.98</td>
<td>358.97</td>
<td>16.13</td>
</tr>
<tr>
<td>VI</td>
<td>1.50</td>
<td>27</td>
<td>807.06</td>
<td>880.45</td>
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</tr>
<tr>
<td>VII</td>
<td>2.00</td>
<td>28</td>
<td>1700</td>
<td>1785</td>
<td>30.00</td>
</tr>
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<td>2.25</td>
<td>28</td>
<td>3250</td>
<td>3450</td>
<td>44.00</td>
</tr>
<tr>
<td>IX</td>
<td>2.25</td>
<td>28</td>
<td>8000</td>
<td>N.A</td>
<td>N.A 26</td>
</tr>
</tbody>
</table>

From the available information, it is seen that village and cottage industries are providing employment to more than 50 lakhs of people in India. The sales of village and cottage industries in the 1st plan was only rupees 90 lakhs, but in the second plan it was increased to rupees 28.36 crores. During the third plan period, the production was 55.87 crores and number of persons employed was 8.77 lakhs. During the 4th plan period, the production was increased to 122.40 crores and it employed 9.28 lakh persons. The production of the 5th plan was 243.97 crores and employment provided accounted for 14.96 lakhs persons. In the 6th plan and 7th plan the

26 Govt. of India, KAVIRC Reports.
productions in this sector was 807.06 crores and 1700 crores respectively. The employment generation of the plans was 24.84 and 30 lakhs respectively. During the 8th plan the production was 3250 crores and the employment 44 lakh persons. During the ninth plan this sector provided employment to more than 50 lakh persons and the expected production was above rupees 8000 crores.

Realising the importance of SSI and village and cottage industries in the economic development of the country, the Government had taken measures to encourage them through the various industrial policy resolutions which are discussed in the following paragraphs.

The Industrial policy 1948 was the first attempt to promote industrial development. This policy stated that cottage and SSI were particularly suited for better utilisation of local resources and for the achievement of local self sufficiency in respect of certain type of essential consumer goods. It was also mentioned that the healthy expansion of cottage and SSI depended upon a number of factors like the provision for raw-material, Cheap power, technical advice, organised marketing of their products education of worker in the area of best available techniques etc.27

The Industrial policy 1956 also stressed the role of cottage and SSIs in the development of the economy. This policy specified that the states should

27 Govt. of India, Ministry of Industry, 1948.
follow a policy which should support this sector. The aim of this policy was to improve the competitive strength of the SS producers by upgradation and modernisation of the techniques of production without causing the technological unemployment. During the period of 1948 and 1956 an international team of experts on SSI namely, the international prospective planning team was invited by the Govt. of India through the courtesy of the Ford Foundation to make a study of the problems of SSI. This team recommended the setting up of Regional Extension Institutes to provide services in areas of technology, marketing and finance. Considering the recommendations of the Team, the Govt. in 1955 appointed the village and SSI Committee known as the Karvey Committee to consider the draft of the 2nd Five Year Plan for the development of SSIs. The committee recommended that any development programme for SSI should be decentralised, aim at gradual improvement in technique without reducing job opportunities, assure marketing through co-operatives and lend positive promotional support rather than enforce protection or reservation. These two committees have given a boost for the development of SSI.

The Industrial Licensing Policy 1970 reiterated the importance of the development of cottage and SSI as an essential step towards economic self reliance.

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The Industrial Policy 1973 also decided to follow programmes for achieving the objective of growth, social justice and self reliance in the industrial sphere.

The Industrial Policy 1977 laid stress for the effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns. It was during this period the concept of district industries centre was introduced with the objective of providing single window facility to entrepreneurs.

The industrial policy statement of 1980 marked a significant milestone in the development of SSI in India. The policy emphasized on harmonious growth of SS sector with that of large and medium scale sector.

The Industrial Policy 1985 specified the list of industries reserved for exclusive development and the items reserved for government store purchase were increased.

The Industrial Policy Resolution 1990, aimed at facilitating modernisation and induction of new technology, expansion of items to be reserved for small scale sector and flow of credit to small and tiny industries.

The industrial policy tabled by the central government in Parliament on 24th July 1991, aimed at bringing radical changes in the development of SSI in the Indian economy. The main objective of this policy was to provide all
possible assistance to the SS sector so as to enable it to contribute substantially in the field of output, employment and exports. Therefore this sector has been delicensed. Further, it has been decided to allow equity participation by other industrial undertaking in the SSI, not exceeding 24 percent of the total shareholdings.

This policy gave considerable focus on and attention to modernisation, technology upgradation, quality and human resources development. The National Equity Fund and single window scheme have been enlarged. Allocation of large amounts during plan period, cheap credit facilities, tax benefits, subsidies, concessions in importing raw-materials and machinery, reservation of items for production, etc. reflect promotional policies adopted by the Government towards the development of small scale sector.29

A comprehensive policy package for the small scale sector was announced by the Prime Minister on Aug. 30, 2000. This policy raised excise duty exemption limit from rupees 50 lakhs to rupees 1 crore. For technology upgradation 12 per cent capital subsidy scheme was introduced. The investment in industry-related service raised from rupees 5 lakh to 10 lakh, granted rupees 75000 to each small scale enterprises for obtaining ISO 9000 certification till the end of the 10th plan. The limit of composite loans was

raised from rupees 10 lakhs to rupees 25 lakhs. A group was formed under the cabinet secretary to suggest and recommend streamlining of inspection and repeal of redundant laws and regulations applicable to the sector.

It also raised the income limit for the PMRY scheme from rupees 24,000 to rupees 40,000. It also proposed to conduct the third census of small scale industry.30

**Industrial Estates in India**

Industrial Estates Programme in India is perhaps the biggest undertaking by any developing country. This programme for the development of SSI was launched by the SSI Board in January, 1955. The main objective of the Industrial Estate Programme is to encourage and support the creation, expansion and modernisation of SSI through the provision of factory accommodation, common service facilities and assistance and servicing throughout all stages of establishment and operation and to develop sub contracting relationship between the small and large scale industries and specialised manufacturing activities. It also aims at regional development, growth of ancillary industries. There are 705 Industrial Estates completed in India of which 210 are in rural areas, 179 in semi-urban and 316 in urban areas.

30 Govt. of India, 'Economic Survey 2000-01' (Delhi, 2001), p.145.
The small scale and cottage Industries Development and present position in Kerala is briefly explained in the following paragraphs.

**Small Scales and Cottage Industries Development and Present Position in Kerala**

The industrial sector of Kerala consists of a few large and medium Industries mainly in the Public sector, and small scale village and Cottage Industries. The small scale Village and Cottage Industries sector consists of traditional Industries and small scale Industries like coir, cashew and handlooms.

It is seen that in 1980-81, the number of small scale Industries registered in Kerala was 3030. But in 2001, it was increased to 21200. The growth rate was seven times that of 1980-81. The total number of registered small scale Industries in Kerala as on 31\textsuperscript{st} March 2001 comes to 239896 units. The total value of goods and services produced by these units is worth rupees 1099825.3 lakhs. The number of persons employed in this sector comes to 1114495 persons. The total investment comes to rupees 347061.48 lakhs.\textsuperscript{31} The total number of village and cottage Industries in Kerala as on 31\textsuperscript{st} March 2001 was 17581 units with an annual production of rupees 16228.85 lakhs. It provided employment to 161864 persons.\textsuperscript{32} It is also seen that the highest

\textsuperscript{31} Govt. of Kerala, Directorate of Industries and Commerce, Trivandrum.

\textsuperscript{32} Govt. of Kerala, Khadi & Village Industries Board, Trivandrum.
number of registered SSI units are in Trivandrum district i.e., 25655 units and lowest number 4138 units in Wynad District. In 1988-89, the value of goods and services produced in this sector were estimated to be rupees 1723.78 crores and it provided employment to 3.66 lakh persons. In 1994 its production increased to rupees 3607.94 crores and provided employment to 6.30 lakh persons. In 1997 the production of small scale and village cottage Industries sector was rupees 294775 crores. The employment generation of the sector in this period was 553.74 lakh persons and its exports worth rupees 50215 crores.

Small Scale and cottage Industries in Kerala Under Five Year Plans

Efforts in the past show that no significant attempts were made by way of developing or exploiting human and material resources in the initial years of the Five Year Plan in the State. The out lay for development of small scale, village and cottage industries in Kerala during various Five Year Plans are shown in Table 2.4 following.

### TABLE 2.4
The Outlay for development of small scale, Village and Cottage Industries in Kerala under Five year plans

<table>
<thead>
<tr>
<th>Five Year Plan</th>
<th>Outlay for SSI (Rupees in crores)</th>
<th>Outlay for Village and Cottage Industries (Rupees in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Nil</td>
<td>112</td>
</tr>
<tr>
<td>II</td>
<td>2.81</td>
<td>301</td>
</tr>
<tr>
<td>III</td>
<td>3.80</td>
<td>420</td>
</tr>
<tr>
<td>Annual</td>
<td>5.12</td>
<td>N.A</td>
</tr>
<tr>
<td>IV</td>
<td>4.26</td>
<td>5.96</td>
</tr>
<tr>
<td>V</td>
<td>8.49</td>
<td>7.55</td>
</tr>
<tr>
<td>Annual</td>
<td>3.51</td>
<td>5.40</td>
</tr>
<tr>
<td>VI</td>
<td>25.00</td>
<td>24.80</td>
</tr>
<tr>
<td>VIII</td>
<td>44.00</td>
<td>76.00</td>
</tr>
<tr>
<td>VIII</td>
<td>86.60</td>
<td>133.40</td>
</tr>
<tr>
<td>IX</td>
<td>25.90</td>
<td>23.60&lt;sup&gt;36&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

It is observed that the outlay for SSI in the 1st Five Year Plan was nothing. But expended rupees 112 lakhs for the development of village and cottage Industries. Industrial development was actually neglected during this plan. The state couldn't appreciate the importance of promoting modern SSI. There was no organised activity in this field in this period.

Despite the substantially increased outlay of rupees 87 crores, the crucial sectors of the economy like agriculture and industry limped through a state of arrested development during the Second plan. The regional pattern of central investment in Industries was not designed to strengthen the slender industrial base of Kerala. During this plan the amount invested in the small scale, village and cottage industries sector was only 5.82 crores out of the total outlay of rupees 653 crores which was only 0.89 per cent of the total outlay.37 The third Five year Plan was substantially an improved exercise. The financial targets was more than rupees 8 crores.

In the 4th plan, out of the total outlay of rupees 258.40 crores, rupees 10.22 crores was allocated to small scale, village cottage industries sector.38

During the 5th plan, the outlay on SSI village and cottage industries sector was rupees 16.04 crores and during the 6th plan it was rupees 49.8 crores. In the 7th plan, the outlay in these sectors were rupees 120 crores.

During the 8th Plan period, the outlay on this sector was rupees 220 crores. Considering the other plans, the outlay in this plan was a considerable amount. During the 9th plan, the state government outlay on SSI, Village and

37 Govt. of Kerala, First and Second Five Year Plans, State Planning Board, Trivandrum, p.2.
38 Govt. of Kerala, Third and Fourth Five Year Plans, Planning Board, p.52 and p.127.
Cottage Industries was only rupees 49.5 crores. The state outlay in this plan was only 22.5 per cent of that of the previous plan.39

It is seen that when comparing to SSI sector, the outlay for village and cottage Industries sector was more in Kerala under Five Year Plans. This was because of more employment orientation of this sector.

It is also seen that the formation of the Kerala state small Industries corporation was an important development during the third plan period. The corporation was entrusted with the responsibility of construction and management of Industrial Estates, managing of raw material depots, common facility centres, sales emporia etc., and management of the production units run by the Department. The scheme for the supply of machinery to SSI also was undertaken by the corporation. Implementation of rural Industrial programme was another noted event. The 4th Five Year Plan witnessed emergence of functional and ancillary Industrial Estates in the state. The Government also offered subsidy for Loans taken from the Kerala Financial corporation. During the 5th Five Year Plan, the Government of Kerala created a post of Development Commissioner for SSI, so as to provide a package of services. This was envisaged as a separate set up exclusively to cater to the needs of small scale sector.

At the District level, a Deputy Commissioner was appointed and in every Taluk Industrial Extension officers were posted with a view to providing a new thrust for the development of SSI. The Kerala State Industries Development and Employment Corporation and the Kerala Employment Promotion corporation were also set up. In addition to these, there was a proposal to establish nucleus Industrial complexes one at Alleppy and another at Malappuram in order to foster to growth of ancillary units or downstream units, during the 6th Plan Period. Though some initial steps had been taken, the complexes couldn't be set up.

Comprehensive targets and programmes have been made in the 7th Plan to improve the field of small scale, village and Cottage Industries in Kerala. It was during the 8th Plan period that the new economic policy 1991 was launched and some more measures have been declared with the primary objective of imparting more vitality and growth impetus in the field of small scale, village and cottage industries sector. These measures are related to supply of raw materials, sale of products, upgradation of production method and improvement in the quality of products, expansion of training facilities, strengthening of the existing organisation and more liberalisation of National Equity Fund (N.E.F.) and Single Window Scheme (S.W.S.).
During the 9th Plan period also, the State Government Strengthened the Government machinery for promoting the rural industrialisation and thus more employment.

The policy here seems to be more 'welfare oriented' than efficiency oriented.  

**Industrial Estate Programme in Kerala**

Though the Kerala State adopted this programme in the initial state, the working of this is not upto the expectation. It was pointed out by the High Level Committee on Industry, Trade and power that, compared to neighbouring states, Kerala's performance in the matter of promoting Industrial Estate had been poor. Yet it is one of the constraints for the development of small scale industries in Kerala.

**District Industries centres (DICS)**

In Pursuance of the Industrial Policy Resolution of 1977, a programme of District Industries centres was launched in 1978 with the object of removing obstacles by way of procedural formalities in the establishment of SSI and providing all services and support facilities to small scale entrepreneurs under a single roof. The main function of DIC comprises the

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economic investigation of the potential for the development of the district. It includes its raw material and other resources. Supply of machinery and equipment, provision of raw-material, effective arrangement of credit facilities, marketing assistance, quality control etc. It also conducts research extension and entrepreneurial Training programmes. The various Government incentives such as seed capital or margin money scheme, investment subsidy, margin money Loan to SSI units promoted by Non-Resident Keralities, Prime Minister's Rosgar Yojana to educated un-employed youth, generator subsidy, pollution control equipment subsidy, subsidy for purchase of know-how, Tax exemption/concession etc are implemented and granted through DICs. The DICs were also expected to be the operational mechanism for according sanction to new units and ensuring their continued viable operation.

Now in each District Industries centre, there are 4 functional managers and one General Manager. To effect Co-ordination, a Co-ordination Committee at the state Level and District Level were also constituted. Thus the main objective of DIC is 'one window clearance' and thus freeing the entrepreneur from running from Pillar to Post for everything. There are 14 District Industries Centres functioning in Kerala to assist small scale industrialist and new entrepreneurs.
Kerala Khadi and Village Industries Board

The Kerala Khadi and Village Industries Board was constituted on 1st August, 1957, as per the provision of the Kerala Khadi and Village Industries Act 1957. It promotes and assists village and Cottage Industries in Kerala. The KVIB is assisting village and cottage Industries like Khadi and Ambar, Bee keeping, Cottage Match, Gur and Khandasari, Hand pounding of paddy, Hand made paper, palmgur, Non-edible oil and soap, village oil, village leather, village pottery and such other 27 village and Cottage Industries.\(^4\)

Thus, it is seen that small scale and cottage industries constitute the backbone of a developing country. The real prosperity of the nation can be possible with the development of villages and this can be possible with the development of small scale and cottage Industries. The present scenario of small scale and cottage Industries is not so good, but hopeful. The central and state Governments should give more attention to this sector and thus their development can be possible and the view of Mahatma Gandhiji on Indian villages can be realized.

The origin of Banks and Evolution of Regional Rural Banks are shown in the following chapter.

\(^4\) Govt. of Kerala, KVIB, Trivandrum.