1.1 Introduction:

In India since 1951 planned economy was introduced and Government of India framed Industrial Policies to give boost to the economy as a whole. Planners and political leaders are well aware about the role of small and medium scale industries in the underdeveloped countries like India of that time. Development of the country is not possible without giving opportunities to develop small and medium scale industry in the interest of national development. Political leaders gave due protection to the small and medium scale industries till the date. After adopting Industrial Policy in 1991 which introduced Liberalization, Privatization and Globalization it was assumed that the role of small and medium scale industry will varnish but it is not the case. After 1991 Industrial Policy also certain products were reserved for small-scale industries. Still there is a due protection to few products but the number of items for which protection is available is decreasing.

There are many reasons to protect the Small and Medium Scale Industries in countries like India. These reasons are as follows:

- Reduction in Import of goods which can be manufactured in India
- Socio-economic Development of small entrepreneurs
- Optimum utilization of Foreign Exchange
- Employment through labour intensive production technique
• Reduction of concentration of economic power in the hands of few big industrial houses
• Discouraging monopoly
• Discouraging Geographical Concentration of Industries
• Overall Development of underdeveloped regions

Early Efforts the importance of small-scale industries was underlined in the Government of India’s Industrial Policy Resolution dated 6th April 1948. Realizing the problems of the various groups of industries in the small sector, the Cottage Industries Board recommended the setting up of a separate organization at the Centre for their promotion. Accordingly, five Boards were set up in 1952-53 for Handlooms, Handicrafts, Coir, Silk and Khadi and Village Industries. During the year 1953-54 International Team for Planning was invited by the Ministry of Commerce and Industry to study measures to be adopted for development of small-scale industries. This initiative was taken with the help of the Ford Foundation. The International Perspective Planning Team rightly pointed out that there was considerable scope for the expansion of small industries in the country. In order, however, that small manufacturers may be able to realize their full potential, the existing programmes for assistance to small industries have to be more sharply focused and certain basic policy adjustments have to be effected. Small industries have to be treated separately from village industries in future planning and policy formulations. The small plant is an integral pan of modern industry, while the village industries, with their emphasis on handicrafts, are not necessarily. Accepting the recommendations of the International Planning Team was again felt to modify the definition further. This time the
employment limitation was found to stand in the way of the promotion of the programmes for the small-scale sector. The Small-Scale Industries Board had kept in mind the necessity for maintaining a certain amount of flexibility in its interpretation. The Board welcomed the Government's decision to revise the definition. The new definition as per Ministry of Commerce and Industries letter no. I2-SSI (A) (136)/57, dt 4th January, 1960, was: "Small-Scale Industries will include all industrial units with a capital investment of not more than Rs. 5 lakhs, irrespective of the number of persons employed."
The capital investment for the purpose of the definition meant investment in such fixed assets as land, buildings, machinery and equipment. When units functioned in rented premises, the capital valuation of such building was to be taken into account in assessing the prescribed limit of Rs. 5 lakhs; but workers' housing and welfare amenities were excluded from the capital estimated for this purpose. The original price paid by the owner was taken into consideration while calculating the value of machinery and equipment. It is important to note that the value of machinery and equipment is taken as actual whether the new machinery and equipment is new or second-hand. This change in definition marked an important turning point in the programmes of small-scale industries, after the change; small-scale units can employ a enormous number of workers and manufacture a more volume of production with the same resources in equipment and capital outlay. The revised definition also covered labour-intensive establishments of a larger size. Ancillary Industry Since industries engaged in the production of ancillary items and components required by large industries needed higher form of mechanization and called for the use of costly machinery and equipment, it was felt that, in several
cases, capital investment of a much higher order than the limit of Rs. 5 lakhs was required. It was, therefore, decided that, to begin with, relaxation in the capital ceiling up to Rs. 10 lakhs may be allowed in respect of small industrial units manufacturing components for the following industries: (1) Industrial and agricultural machinery; (2) Machine tools and small tools; (3) Electrical machinery and equipment; (4) Radios; (5) Electrical and mechanical instruments; (6) Transport industry, including automobiles, railways and shipping; (7) Steel, iron foundry and forge-shops; (8) Re-rolling and wire-drawing industry; and (9) Bicycles. The following special facilities were extended to small ancillary industrial under this definition: (a) Technical assistance through the 5151; (b) Supply of machinery under the Hire-Purchase Scheme of NSIC; an (c) Allotment of factories in Industrial Estates. Here the meaning of the term capital investment meant investment is fixed capital, land and buildings, machinery and equipment. It was felt that small-scale industries would play an effective role in the national economy only if they adapted the changed conditions of modernization and rationalization of techniques of production and business management. Another revised definition had, therefore, to be evolved to enlarge the scope of governmental assist thee and to accommodate further not only marginal cases but all needy and promising, enterprises. This dynamic approach was cottontail ingredient of the development programmes. Ancillary industries had to produce standardized goods of high precision, conforming to the requirements of certain reputed large-scale manufacturers. It was, therefore, imperative for them to install not only costly machinery and equipment for the manufacture of products but also for their testing. The revocation of capital investment limit was, therefore, a genuine necessity.Lower, in avoid
diversion of effort (because of the limited Government funds available for programmes and a large number of deserving enterprises), relaxed exclusively in favor of ancillary industries and only for certain categories of all title, this was considered necessary because Unite, with relatively loge investments in the small-scale sector were more successful in assailing, themselves of Governmental facilities and could, therefore, era roach on the major portion of the developmental allocation with the Overrunning, depriving, runny a relatively small unit of their due share. (vii) Boilers and Steam-generating Plants; (viii) Steam Engines, Turbines and Internal Combustion Engines-, (ix) Automobiles; (x) Commercial, Office and Household Equipment; (xi) Electrical Machinery, Equipment & Appliances; (xii) Telecommunication Equipment; (xiii) Industrial Instruments (Electrical); (xiv) Radios and Electronic Equipment; and (xv) Air Conditioning and Cold Storage Equipment, including Refrigerants. There were many complains and complications about the definition of Small Scale Industries. There is a need to simplify the definition of Small Scale Industry. The Small-Scale Industries Board in the year 1962 decided to appoint a Sub-Committee to prepare operational definition. The committee is expected to give recommendations on the following questions: "To what extent the present definition of Rs. 5 lakhs for general and Rs.10 lakhs for ancillary industries should be modified. The Committee should consider, if the present difference in definition between ancillary and non-ancillary industries should be abolished, making one definition applicable to all. The Committee may also consider whether certain facilities, like credit and hire-purchase, could be reserved only for units with lower capital investment if the capital ceiling is to be increased from Rs. 5 lakhs." Definition,
1962 The Sub-Committee recommended the enlargement of the definition to cover small units with capital assets ranging from Rs. 5 lakhs to Rs. 10 lakhs for the following reasons: (i) The differentiation between ancillary and non-ancillary industries presented considerable administrative problems, (ii) Units with capital investment up to Rs. 10 lakhs had already been exempted from obtaining licenses under the Industries Development and Regulation Act; and (iii) While quality requirements for export markets required the adoption of modern technical processes, there had been a steady increase in the cost of machinery and other capital assets. The Committee, however, felt that, as a result of the revision in the definition as proposed by them, there would be some strain on the already limited resources available and, therefore, recommended the imposition of certain restrictions on the various categories of facilities to be made available to small industries with a comparatively large capital. The report of the Sub Committee was considered by the Small-Scale Industries Board at its 23rd meeting held in October 1962. The Board was in general agreement with the recommendations of the Sub-Committee and was in favour of their consideration by the Government of India. The recommendations were examined by the Government of India and it was decided not to implement them immediately in the context of the then national emergency, as it would have further aggravated the strain on raw material supply and created some difficulties in the smooth operation of the assistance. The criteria for ancillary industries have been subsequently revised to exclude units which were set up primarily to manufacture parts and components for replacement. Definition, 1966 The definition of small-scale industries recommended by the Small-Scale Industries Board at its 24th meeting held on
8th July 1966 and as per the Ministry of Industry letter No. SSI (A) 13 (5)/66 dated 31st October 1966, is as follows: "Small-Scale Industries will include all industrial units with a capital investment of not more than Rs. 7.5 lakhs irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only." In calculating the value of plant and machinery, the original price paid by the owner, irrespective of whether the plant and machinery were new or second-hand, would be taken into account. Ancillary industries under the definition were defined as under: "A unit which produces parts, components, sub-assemblies and footings for supply against known or anticipated demand of one or more large units manufacturing assembling complete products and which is not a subsidiary to or controlled by any large unit in regard to the negotiation of contracts for the supply of its goods to any large unit. This shall not, however, preclude an ancillary unit from entering into an agreement with a large unit giving it the first option to take former's output." Definition, 1974 The strategic role of small-scale industries in the country's overall economic development has been recognized in the successive Five-Year Plans. During the last two decades, over 400,000 small industries have been established all over the country, and they have satisfactorily met the demand for a wide range of consumer goods, producer goods, ancillaries and components. They have also facilitated the broadening of entrepreneurial base in the country and the decentralized pattern of industrial growth. However, in view of the steep increase in the prices of capital equipment and of replacement costs, the need for an upward revision of the present ceiling on capital investment in the definition for small-scale industries — namely, Rs. 7.5 lakhs and for small-scale ancillary industries,
namely, Rs. 10 lakhs — had become obvious. The question of revising the definition was discussed, at great length at the 32nd meeting of the Small-Scale Industries Board held in November 1974. The unanimous view of the Board was that the increase in the prices of capital equipment had made the existing ceilings unrealistic and that a revision of the ceiling was necessary to facilitate the modernization of existing small industries and the growth of new viable units in sophisticated lines of production. It therefore recommended that the ceiling on investment in plant and machinery should be raised from the existing level of Rs. 7.5 lakhs to Rs. 10 lakhs and that of ancillary units from Rs. 10 lakhs to Rs. 15 lakhs. The revised definitions recommended by the Board were as under:

(i) Small-Scale Industries "Undertakings having investments in fixed assets in plant and machinery not exceeding Rs. 10 lakhs."

(ii) Ancillary Industries "Undertakings having investments in fixed assets in plant and machinery not exceeding Rs. 15 lakhs and engaged in —

(a) The manufacture of parts, components, sub-assemblies, roofing’s or intermediates; or

(b) The rendering of services, and supplying or rendering or proposing to supply or render 50 per cent of their production or the total services, as the case may be, to other units for the production of other articles; "Provided that no such undertaking shall be a subsidiary of, or owned or controlled by, any other undertaking."

The Government of India has accepted the revised definitions recommended by the Board and gave effect to its decisions from 1st May 1974. Apart from the increase in
the monetary ceiling, the new definition for ancillaries involves changes in the following
important respects: (i) Units producing intermediates will now be recognized as
ancillaries. (ii) Units providing servicing facilities, e.g., sand-blasting, machining,
pressure cleaning, grinding, etc., will be recognized as ancillaries. (iii) A unit to be
recognized as ancillary should supply or propose to supply at least 50 per cent of its
production to one or more parent units. Certain clarifications and explanations of the
definition of small-scale industries have been issued from time to time by the
Government; and these are valid for the revised definition as well. They arc: (i) In
calculating the value of plant and machinery, the original price paid by the owner,
irrespective of whether the plant and machinery are new or second hand, will be taken
into account.

1.2 Evolution of small- Scale industries in India:-

Since independence there is a significant and rapid growth in the Indian industry
as well as economy and Small and medium scale industries are the important part of this
growth. Government plays an important role in the development and protection of Small
and Medium Scale Industries in India. Government takes due care while framing the
policies which helps to protect the interest of Small and Medium Scale Industries in
India. Government is trying to provide sufficient infrastructure to this sector but efforts
are still inadequate. Some of the important measures taken by the government are as
follow:
• Reservation of products for Small and Medium Scale Industries
• Revision of investment ceilings under this sector
• Helping the sector in technological up gradation
• Developing marketing skill to the entrepreneurs
• Providing financial incentives
• Easy finance availability etc.

The Industries (Development and Regulation) Act, 1951 defined the industries in the small-scale sector. The Act defined the sector on the basis of value of investment in plant and machinery.

Following are some of the important highlights of Small Scale Industries in India:

• 95 % of industrial units in the country are under Small Scale.
• 39.92 % of value addition in the manufacturing sector is from Small Scale.
• Small Scale contributes 34.29 % of national exports
• 6.86 % of Gross Domestic Product (GDP).
• Employment of almost 2 crore employees in the small scale.
• More than 7000 products are manufactured under small-scale sector.
• Reservation of more than 500 products exclusively for small-scale sector.
• Compulsion to purchase more than 300 products exclusively reserved for small-scale sector.
Industrialization has been a striking feature of Indian economic development since 1951. Industrial production has gone up by about five times, making India the tenth most industrialized country in the world.

Small-scale industries play a vital role in the development of the national economy. India is facing the problems of unemployment and paucity of capital resources. “The built in characteristics of small scale industries, such as relatively small size of initial capital requirement, entrepreneurship and employment generation potential, etc., render them the ideal for balanced and decentralized development.” The employment generated in small-scale factory units is nine times that of large establishments for an investment of Rs.1 lakh in fixed assets. The small-scale industries assume great importance in mitigating the problem of unemployment, in facilitating the growth of the industrial sector and in ensuring all round development of the economy.

“Cottage and small scale industries are of very special importance in India. If we lack capital, we do not lack manpower, and we must use this manpower both to add to the wealth of the country and to reduce unemployment”, Jawaharlal Nehru said. Besides, small-scale industries avoid regional imbalances and facilitate decentralized development in various parts of the country, including the remote areas, by effectively utilizing the locally available raw materials and other resources, including work force.

In the recent past Small Scale Industries emerged as one of the important and self-motivated sectors in the economic development of India. Small Scale Sectors contribution in the development of the Indian economy is remarkable. It contributes more that 35% of the total industrial production of India as well as over 30% of the Indian
exports. At present the Small Scale Industrial sector is providing employment to over 250 lakh persons. The captains of our economy are more than aware of the importance of the small scale industries in terms of employment potential, productivity, utilization of indigenous resources, balanced regional development etc. In the words of Dr. Manmohan Singh, “the key to our success of manufacturing in the small scale sector”. The small scale sector is important not only for its contribution to GDP but also for its stellar performance in exports and in generating employment.

The small scale industrial sector is endowed with certain special features, which are especially beneficial to our economy such as employment potential, indigenous nature, balanced development of regions etc., when compared with large scale units. This sector facilitates speedy development of the economy by providing employment opportunities to rural and less skilled masses and caters to the consumption requirements of these people by resorting to indigenous production making use of local resources.

The entrepreneurs involved in running small-scale units are generally termed small entrepreneurs. It is evident that small entrepreneurs outnumber large entrepreneurs in every country. The word “small scale sector” is specifically used to indicate industries which are doing business at small scale. Generally in India the smallscale industries are categorized under the following three heads:

1. Cottage Industries,
2. Agro- based industries,
3. Small industries.
Since beginning of the planning in India industrialization was in priority as it was the need on the time. The most important taken by the government was introduction of the Second Five Year Plan (1955-60) which laid a firm foundation for industrialization all over the India. The government tried to achieve self-reliance and economic prosperity through industrialization by making provisions in subsequent five year plans. The government gives emphasis on not only public sectors but also on private sector too.

1.3 Policies Governing Small-Scale Industries:-

Small is beautiful, so also is small-scale industry. Small Scale Industry is one of the important part of the Indian economy. Some of the important objectives of development of small and medium-scale industries are easy availability of manufactured goods, the raise in the capital formation of industries, promotion of entrepreneurial talents and skills among the young entrepreneurs and the increasing employment opportunities in the Indian economy. Development of Small Scale Industries also helps in achieving socio-economic goals because it helps in decentralization of manufacturing processes from the urban and metropolitan cities to the rural India. It helps in the reduction of regional imbalances in the Indian economy. It develops managerial and entrepreneurial skill throughout the country. There is use and growth in the use of the technology throughout the country. India is mostly occupied by rural area. So there is a need to concentrate on rural areas to grow small units of manufacturing. Germinating seeds of entrepreneurship among the rural areas of the country is one of the prime goal of
promoting such industries. There is vast difference among the rural and urban areas of the country. There is difference in infrastructure, social and economic conditions of population, educational levels and so on. Contribution by these industries towards the development of the economy is quite unique. There is a rapid increase in the cost of Plant and Machinery all over the world. It forced the Government to enhance the investment of capital limit for small-scale businesses to Rs. 35 lakhs and Rs. 45 lakhs for the ancillary undertakings, effective from March 3, 1985. In other words, value of assets like land, building, vehicle, furniture, utilities (like boilers, generators, chilling plant etc.) and other equipment not directly used in production process are excluded from this qualifying investment limit. Such a definition, therefore, allows for medium to fairly large units with very substantial investments in total assets to be put up under small scale sector, and such a unit is not constrained by any other limits or restrictions, These units are totally unregulated for all practical purposes, it is charged, Even with sales turnover of Rs. 10 to Rs. 20 crores or more, they continue to be considered 'small scale'.

According to available reports, nearly 95 per cent of the small-scale units have individual total investments of under Rs. 10 lakhs. The balance of five per cent includes a number of 'small-scale' units which are, in reality, medium to fairly large size units with substantial total investments in each case. This group is really an unregulated sector which is not regulated by any of the other regulations which apply to recognized non-small-scale units. It was pointed out that this unregulated sector is a threat to really small-scale units. Hence it has been suggested that it is indispensable to define 'small-scale' pragmatically so that the objective of providing support and protection to this sector is
not misused by larger units which should stand on their own and compete freely with other manufacturers. By the existing reckoning, it would seem that investment limit of Rs. 35 lakhs for qualifying as a small-scale unit should apply to total investments in all fixed assets and not to the cost of productive equipment only. Alongside, units with sales turnover exceeding Rs. 5 crores a year or with more than 200 employees should cease to qualify as small scale. The small-scale sector coming under this new definition should be provided effective support and protection through fiscal and other measures, e.g., exemption or concession from excise duty, low interest loans from banks, preferential purchase by government departments. Indian Five Year Plans concentrated a lot on the development of small scale industries and the planners assume that it is one of the important development strategies for the economy as a whole. The reason behind this decision is that these industries help in employment generation. Most of these industries are labour intensive which creates better employment opportunities. The gestation period for these industries is generally very less. These industries are mostly set up in rural and backward areas of India. Mostly small scale industries are working in smaller markets which help them to run economical business. These industries have advantage in being set up as ancillary units in the rural areas. It helps in inspire growth of entrepreneurship among the rural youth. It also helps ind decentralization of industries in the less developed areas. It is evident that in last two decades the small-scale industry in India is able to maintain god rate of growth which is at par with the large scale industries.

The scope and magnitude of small scale sector in Indian economy is far reaching. It creates a sense of confidence among the entrepreneurs in India. It motivates many
young entrepreneurs to start their undertaking. During the last three decades the small scale sector grown significantly. Some of the major objectives achieved during the last three decades are as follows:

a) It helps in removing economic backwardness in the underdeveloped areas in the Indian

b) It helps rural economies to become self-reliant

c) It helps in reducing economic disparities among rural and urban areas

d) It helps in reducing income difference among rural and urban areas

e) It helps in mobilization of resources,

f) It helps in optimum utilization of rural and urban skills among young entrepreneurs

g) It creates greater employment opportunities in rural as well as urban areas

h) It helps in increasing manufacturing activities and better utilization of capital of entrepreneurs

i) It tries to enhance standard of living in the economy

j) Level of income increased significantly.

There is a need to take appropriate decisions at different levels to boost the small scale industries in India. Generally these policies and guidelines consist of statements that may distress the working of small scale sector in the Indian economy. The working of small-scale industries, too, is molded by a number of policies, which are the base for effective plan development. The living standards of the people in this world vary
considerably. Generally speaking, industrialized countries are known as developed countries, in which industrial development is based on modern technology and research. The countries in which agriculture predominates are referred to as underdeveloped/developing countries. Underdeveloped countries are those where even agriculture is quite traditional. Developing countries have accepted mechanization as a way of life and have concentrated on developing large industries. The President of the World Bank once pointed out that over 40 per cent of the people in developing countries live in absolute poverty. Their life is so degraded by disease, illiteracy, malnutrition and squalor that the attainment of even the basic necessities seems to be difficult for them in near future. For a developing country like India, the growth of small-scale industries is of great significance. India tries to become self reliant in the industrial production and the role of small scale industries is significant in achieving the same. This movement of small scale industries development helps in all round development in the Indian economy. This helps talented entrepreneurs to start their undertaking and take initiative in the growth of the same.

1.4 Small Scale industries – Relevance to Indian Economy:-

Role of Small-Scale Industries in the economy of India is significant. It plays strategic role in the progress of Indian economy. Its transitional phase in the Indian economy where there is filling gaps in between the traditional and technological developments in the economy. It is evident in the economy where most of the small scale industries are following traditional ways of doing business. The trend is changing day by day as some of the young entrepreneurs are trying to introduce advance technologies in
the small scale industries. There is a very big challenge in front of the Indian economy which is to increase agricultural as well as industrial production in India. There is a need to improve technique of production in agricultural and manufacturing sector in India. There is acute need to use sophisticated technologies especially in the progressive manufacturing sector. Use of superior technology helps in decreasing cost as well as employment generation in the industries. These developments helped in mobilization of capital and entrepreneurial skills among the rural as well as urban entrepreneurs in India. There is a need to integrate small and large scale industrial production especially in the rural economy of India. It is assumed that Small Sale Industries helps in reducing unplanned urbanization in India. It also helps in distribution of national income to the rural areas and reduces the disparities in rural and urban income levels. Basically, small industries are important for national development programmes because they can make a definite contribution to the realization of the central purpose of such a problem, i.e., to bring about an efficient utilization of natural, human and capital resources of the country for the achievement of pre-determined ends.

The basic issues confronting the Planning Commission at present are: The rapid growth of population and increasing labour force; large-scale under-employment and unemployment; and the growing pressure of population on land, leading to a more precarious existence for a large number of small landowners and agricultural workers and the constant search by millions of people for jobs in which, by making a small investment themselves a certain minimum level of income, can assure it is a truism to say that small-scale industries constitute the back-bone of a developing country like India. The
phenomenal expansion of small-scale industries reflects the potentialities of such industries. Occupying a commanding tight in the strategy of development, these industries have become an invaluable weapon in bringing to fruition a balanced, integrated and egalitarian socio-economic order in our country. By utilizing fruitfully the technical now-how and other forms of tangible aid so offered generously by industrially advanced countries like the United States of America, United Kingdom, Countries in Europe, Germany Venturous entrepreneurs have made an impressive progress developing his vital sector of national economy.

1.5 Recent Trends & New Small Scale Industrial Policy:-

Industrial Policy Resolution 1948 the importance of small-scale industries was specifically defined in the Industrial Policy Resolution dated 6th April 1948. It was stated: "Cottage and small industries have a very important role in the national economy, offering as they do scope for individual, village or co-operative enterprises and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods". The Resolution added: "The healthy expansion of cottage and small-scale industries depends on a number of factors, such as the provision of raw materials, cheap power, technical advice, organized marketing of their products and, where necessary, safeguards against intensive competition by large-scale manufacturers; it also depends on the education of the workers in the use of the best available techniques." Karve Committee Soon after the formulation of the First Plan, a committee was appointed by the Planning Commission with Professor D. G. Karve as
Chairman. The committee recommended that any development programme for small industry should be decentralized, aim at gradual improvement in technique without reducing job opportunities, assure marketing through cooperatives, and lend positive promotional support rather than enforce protection or reservation. The International Perspective Planning Team (IPP Team): An important landmark in the development of small-scale industry in the country was the visit of the International Perspective Planning Team in 1953-54 jointly sponsored by the Government of India and the Ford Foundation. The team set the following objectives for small-scale and village industries (i) to meet a substantial part of the increased demand for consumer good: and simple producer goods; (ii) to create large-scale employment at relatively small capital costs; (iii) to mobilize unused resources of capital and skills; (iv) to ensure a more equitable distribution of national income including the spread of industry over different regions of the country; and (v) to counteract tendencies towards concentration of economic power by a widening of opportunities for new entrants and for medium and small-sized units. The Team observed: "The chief requirements of modern small factories in order to achieve their integral role in India's rapid industrial expansion iffy equal access to new materials and industrial finance, plus selective technical and management assistance." Industrial Policy Resolution, 1956 The second Industrial Policy Resolution, enunciated in 1956, reiterated the desirable features of the small industry. In this Resolution an attempt made to rephrase industrial policy in the light of the changes that had taken place in the intermediate period of eight years. The objective of economic policy now was to establish a socialistic pattern of society. The role of village and small-scale industries in the
development of the national economy was stressed once again. "The State has been following a L policy of supporting cottage as well as village and small-scale industries by restricting the volume of production in the large-scale sector by differential taxation, or by direct subsidies. While such measures will continue to be taken whenever necessary, the aim of State policy will be to ensure that the decentralized sector acquires sufficient vitality to be self-supporting, for its development is integrated with that of large-scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small-scale producer. For this purpose, it is essential that the techniques of production should be improved and modernized, and the pace of transformation should be so regulated as to avoid, so far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small-scale producers. A Stilt has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of rural triticale and the availability of power at prices which the workers can afford will also be of considerable help. Many of the activities relating to small-scale production will be helped by the organization of industrial co-operatives."

1.6 Small and Medium Scale Industries in Maharashtra:-

Before independence the area of Maharashtra which was the part of the then Bombay State was one of the important industrial hubs in British Rules. The same progress was continueafter newly formed State of Maharashtra on 1st May, 1960. Till today Maharashtra is one of the leading states in the Industrial Development in India. The
policies in the state of Maharashtra in respect of Industries are progressive as well as entrepreneur friendly which attracts capital not only by Indian Industries but also from the industries from the foreign. District Industries Centre (DICs) are one of the important machineries which promotes all types of Industries in India and Maharashtra is not the exception. Maharashtra Industrial Development Corporation (MIDC) is formed for Industrial Development in the State of Maharashtra. The important role of MIDC is to provide infrastructural facilities to Industries in Maharashtra. The State of Maharashtra is industrially leading in almost twenty sectors from the twenty six sectors from the other states in India. It is only possible through proactive role of the government in industrial development and development of regions for the same.

1.7 Maharashtra Small Scale Industries Development Corporation:-

In the state of Maharashtra there is a separate corporation established for the development of small scale industries named as the Maharashtra Small Scale Industries Development Corporation Ltd. (MSSIDC). Maharashtra Small Scale Industries Development Corporawas established on 19th October, 1962. MSSIDC was established as a private limited company. It was solely owned by the Government of Maharashtra. The main objective of MSSIDC is to aid, counsel, assist, finance, protect and promote the interests of Small Industries. At the beginning of this corporation there was a war between India and China and because of which the initial work of the corporation started slowly. But later on it works very speedily. The basic objective of establishment of the corporation is to strengthen the infrastructure to promote small scale industries in the
state of Maharashtra. The basic work undertaken by the MSSIDC is to assist industries in procurement of raw material as well as marketing of the product.

In the 21st century the role of MSSIDC has increased and it tries to achieve the same. MSSIDC is day by day increasing its work and now its Rs. 500 Crore corporation. It is taking crucial initiative in the growth of more than 2000 Small Scale units in the state of Maharashtra. Day by day the responsibilities of MSSIDC are increasing. The corporation was appointed as a State Agency for supply of Coal in the state of Maharashtra to all the small scale industries. MSSIDC too initiative to technologically upgrade Paithani Training Centre at Paithan by introducing 200 new looms. It also decided to rejuvenate its Marathi Retail brand with competitive spirit to attract new customers for the products of these industries.

MSSIDC gives assistance to the small scale industries in the state of Maharashtra in the following ways:

1. **Marketing**: It is evident from many reports and surveys that small scale industries are weak in marketing and it is one of the important reasons of failure of it. Since independence Maharashtra has rich tradition of Manufacturing. MSSIDC gives support to the small scale units since its inception. It also helps in marketing and selling of the products of small scale industries. It also assists these units in getting finance at lower rate of interest. The marketing initiatives taken by MSSIDC help in achieving continuous growth in the marketing turnover. More than 1000 units are registered with MSSIDC for marketing assistance.
2. **Raw Material**: Any manufacturing unit requires steady supply of raw material otherwise it faces problems and SSIs are not the exception. Basically there is a need of Steel and Coal in most of these units. MSSIDC helps these units in uninterrupted supply of these raw materials. This helps in uninterrupted manufacturing in these units. Good quality raw material also helps in improving quality of production and minimum wastage. At present MSSIDC only supplies Iron, Steel and Coal to the small scale units. These units require applying to the MSSIDC for raw material assistance in the prescribed format. MSSIDC get these materials from Central or State Governments’ Public Sector Undertakings.

3. **Warehousing**: Warehousing is one of the important activity to store manufactured goods. MSSIDC also tries to give services of Commercial Warehousing to small scale units. MSSIDC make their warehouse available to small scale industries. There are seven warehouses owned by MSSIDC. These warehouses are situated in Mumbai, Thane, Raigad, Pune and Ahmednagar.

4. **Exhibitions**: Trade Exhibitions are one of the best opportunities to the small trader to exhibit and showcase their products to the public at large. In these exhibitions products are open to sell to the customers at large. It is a good opportunity to introduce product and brand among the consumers. MSSIDC regularly organize such exhibitions in different part of the state of Maharashtra as well as other parts of the country. From last five years MSSIDC also organizing exhibitions abroad to give international platform to these units.
1.8 Organizational Structure of Small-Scale Industries:

The aim of small industry programmes in India should not be to treat the small entrepreneurs as small, but to help the more promising and efficient ones amongst them to grow big. This would mobilize the productive resources of the country, contain the monopoly of a few large enterprises, and increase income, profits and employment. Business occupation may be classified into four broad categories: (a) Agriculture, (b) Industry, (c) Commerce, and (d) Professions (see Fig. 4.1). Agriculture and industry involve the production of goods and materials, while commerce is mainly concerned with their distribution. The professions provide technical support to production and distribution of Business Occupation. The term industry connotes production. Industries may be sub-divided into three categories, according to the size and scale of their operations: (a) Small, (b) Medium, and (c) Large. Further, small-scale industries may be classified into four broad categories: (a) Modern small-scale industry; (b) Cottage; (c) Village; and (d) Ancillary. Commerce facilitates the exchange of goods and their distribution. The important commercial activities are: (a) Banking; (b) Ware-housing; (c) Transport; (d) Insurance; (e) Trade; (f) Packing; and (g) Advertising. A proper organization would assist in the most effective use of the physical assets plants and machinery, tools, materials and supplies and the human resources of the industry so that the unit may be perpetuated and the objectives, including that of profit, may be achieved. The need for organization grows with the increase in the size of the unit. There is a need of division of labour in any organization. The division of labour needs a proper
coordination to achieve predetermined goals. An organization is thus the foundation upon which the whole management structure is built. The concept of organization has five basic elements, namely: (i) The assembly of men, materials, machines and money to produce a product in the unit in accordance with the plan; (ii) The identification and grouping of the work, i.e., work division and work allotment; (iii) Definition of responsibility for every function; (iv) Delegation of appropriate authority; and (v) The establishment of structural relationships. These five basic elements enable an organization to co-ordinate its varied activities to achieve its objectives. Moreover, they ensure the smooth performance of the operations of various organizational activities.

Definition of Organization: An organization provides the mechanism for purposive, integrated development. It has been variously defined by different authors. Dim mock in his book, Public Administration, has rightly observed: "An organization is the systematic bringing together of interdependent parts to form a united whole through which authority, co-ordination, and control may be exercised to achieve a given purpose. (Because the inter-dependent parts of this are made up of people who must be directed and motivated and whose work must be co-ordinated in order to achieve the objectives of the enterprise, an organization is both structure and human beings.) To try to deal with organization as merely a framework without considering the people who make it up and those for whom its services are intended would be wholly unrealistic." According to Herbert Simon, the term organization suggests" the complex pattern of Communication and other relations provides to each member of the group in a group of human beings. This pattern much of the information, assumptions, goals and attitudes that enter into his decisions, provides
him also with a set of stable comprehensible expectations, to what the other members of the group are doing, and how they will react to what he says and does." Louis A. Allen defines organization as "the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives." The success of an organization depends upon behavior of human beings. Iris, therefore, very important to view it not merely as a simple physical structure of relationships but as a complex structure influenced by social and psychological behavior and by informal groups governing the interactions of human beings. An organizational structure is a framework which holds the various functions together according to the pattern, order, topical and legal arrangements and in-built relationships. According to some authors, an organization is a system with such inputs as men, materials, machines, goods and services, profits, etc. Importance of Organization is the foundation of management. It is a process in which individuals interact to accomplish definite objectives. Organization gave the following advantages:

i) It encourages specialization and ensures higher productivity.

ii) It streamlines the process of activities and ensures as functioning. Duplication and consequent confusion as well: wasted, efforts are likely to be removed if there is an adcilirsorganization and a fixing of responsibility.

iii) It fosters co-ordination of various activities in an integrated man0 towards the attainment of specific objectives.

iv) It facilitates precise and effective delegation of authority.
v) It ensures proper direction, motivation, co-ordination and control.

vi) It aids in the expansion and growth of an enterprise.

1.9 An Earlier Study:-

Mahatma Gandhi always gave stress on self-reliance and Swadeshi. Followers of Gandhi always pray promotion of small, village, tiny and khadiindustrial units as it creates employment to rural India. This helps to reduce disparity in rural and urban population of India. It involves rural population to produce not only agricultural goods but also consumer goods to the Indian population. It also helps in reducing the concentration of economic power. There is lesser pollution from the small and village industries which automatically helps the nation in reducing carbon footprints. It was recognized by the Government of India after Independence in the Industrial Policy Resolution of 1948 that small-scale industries were particularly suited for better utilization of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods.' In the First Five Year Plan, it was emphasized that "small industries derive part of their significance from their potential value for the employment of trained and educated persons"? For developing and protecting these industries, the importance of reserving spheres of production was recognized. The Karve Committee also made a case for small industry on grounds of their helping in providing employment and in moving towards decentralized society.3 The Industrial Policy Resolution of 1956, stressed that "some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small
centers of industrial production all over the country. Therefore, the aim of State policy will be to ensure that the decentralized sector acquired sufficient vitality." The Third Five Year Plan stated with unique and organization, these industries offer possibilities of improvement in technique growing and an efficient and progressive decentralized sector of the economy providing opportunities of work and income all over the country". There is a need to adopt better and improved techniques are one of the important aim of planning in this field. In the 4th and 5th Five Year Plans also, the role of small-scale industries in obtaining increased supplies of consumer goods. And in reducing unemployment and under-employment was referred to. The Government stated that "it would be necessary to organised a system for identification of such fields and processes and adopt policies whereby smaller units of operation and less capital intensive methods could be promoted". The Industrial Policy Resolution of 1977 emphasized the importance of small-scale industry for spreading of industrial work away from the large urban concentrations and for removing the distortions of the past? It was, thus, claimed on behalf of the Governments at different levels in India that their policy was one of promoting small-scale industries. This study was undertaken to examine this policy and the way it had worked. Most of the studies of small-scale industries are based on sample surveys and have an economic orientation. An early contribution was made by the Stanford Research Institute of the International Industrial Development Centre of the United States of America. There are as many as eight publications of this Centre. These studies were taken up with the aim of assisting development planners and administrators to promote growth in the newly industrializing countries. The Enesco Research Centre on
Social and Economic Development in Southern Asia has published three papers on the social consequences of Indian small and tiny manufacturers. The search Programmes Committee of the Plant Commission financed three studies of small scale units of Bombay Moradabad and Sugar districts. The National Council of Anne Economic Research studies the small-scale units of Mysore. Council also made a study of proposed industrial programmes in certain States in the Fourth Five Year Plan. There are two the studies of the Institute of Economic Growth and one nuking Commission le, and Scientific Research Foundation. The scale also financed a survey of the small artisans and of industries an fans all of Kashmir to highlight the pattern and problems and the Possibilities of improvement in institutional finance specially banking. The Society for Social and Economic Studies also conducted a study on financing. There are some publications of the Small Industry Extension Training Institute. There are also a number of publications of the Small-Scale Industries Board and the Office of the Development Commissioner, Small-Scale Industries. There are several reports of working groups. Commissions and ad hoc committees. There are nine monographs by individual authors. There are three publications based on doctoral theses dealing with financing of small-scale industries. There is a number of research articles published in periodicals. The present work aims at the study of the problems, Government policy and assistance, and management of small-scale Industries. In the following, we shall examine the contribution relevant to our focus in these earlier studies.
1.10 The Present Study:-

The present study is focused on human resources management in small and medium scale industries in Nanded District. The most important human resources in Small and Medium Scale Industries in Nanded District are labourers, both men and women, working in the field or in industries. On an average there will be 100-200 workers and 5-10 persons of the managerial cadre in an estate. Hence human resources management in concern industries is mainly concerned with the management and welfare of labourers. The management of the estate is responsible for providing essential services like housing, health care, education etc. statutorily as the workers and their families live on the worksite itself. Hence, welfare of workers is necessarily related to development of the place/village they live in. The development is individual centered and group centered as well.

Therefore, in place of the colonial approach of former years where profit was the over-riding motive, an alternative approach where the integral development of the person and the place they live is what is required in the modern context. The Nanded District approach is pertinent and viable in this sphere.

Hence the study is an enquiry into the applicability of the Nanded District Small and Medium Scale Industries model of management and development in the Maharashtra.
1.11 Background of the Study Area:-

Nanded is one of the historical cities in the state of Maharashtra. It is situated in the backward area of Maharashtra called as Marathwada. The Marathwada Region is consists with 8 cities and Nanded is second largest city in the Marathwada Region. The economy of the Nanded district is predominantly depends upon the agriculture. Nanded district is comprises with sixteen talukas namely Hadgaon, Himayatnagar, Kandhar, Ardhapur, Bhokar, Kinwat, Loha, Mahoor, Mudkhed, Biloli, Deglur, Dharmabad, Mukhed, Naigaon, Nanded and Umri. The geographical area of Nanded district comprises 4.42% of the area of Maharashtra State. Total area of Nanded is 10,528 km² including 10,286.69 km² rural area and 241.31 km² urban area. Nanded has a population of 33,61,292 peoples. There are 6,65,434 houses in the district. 24,47,394 are living in the rural area which contributes 72% of the total population. Sex ratio according to 2011 census is 943. Average literacy rate in the district is almost 75% which is quite good. There are no major large scale industries available. There are few sugar factories in the district.

The peculiar climate of this place, its rich forest soil and extraordinary rainfall foster growth of a great variety of species of indigenous trees and shrubs. Wild animals of rare species are also to be found in the area. The hills and valleys are covered with luxuriant vegetation and present a rich green appearance.
1.12 Objectives of the Study:-

Following are the objectives are the study.

1. To study the role of small and medium scale industries economic development of Nanded district.

2. To study of present an overview of human resource management policies.

3. To develop and maintain stability of employment.

4. To retain the workforce by maintaining stability of employment.

5. To study and achieve the organizational goals by proper utilization of human resource in small and medium enterprises in Nanded district.

1.13 Hypothesis of the study:-

Following are the hypotheses of the study.

1. HRM is the one of the important aspects in the building and development of healthy business environment.

2. The current HRM practices in small and medium industries in Nanded district are not capable.

3. HR functions are not being coordinated.

4. There is insecure feeling between the employer and the employee due to the improper HRM.
1.14 Scope of the Study:-

1. A cordial worker-management relationship will be possible.

2. Management will be able to understand their workers better.

3. Motivate to employees, achieve the aim of business.

4. Development in job analysis, performance appraisal, recruitment, training and management.

5. To development the manpower to get development in business.


7. Gulf between management and workers can be reduced.

8. It would become easier for the management to identify and train appropriate talents for every job.