CHAPTER II

CONCEPTS AND PROGRESS OF SMALL SCALE INDUSTRIES

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1. INTRODUCTION

Small scale industry is an important component of the Indian industrial base and the driving force of the developmental efforts. Small scale industries have the special capabilities of fostering industrial growth due to their inherent strength of high employment generation with low capital investment.

The concept of small scale industry differs from country to country. In India, the concept of small scale industry has undergone several changes since independence. Special thrust has been given to the growth and development of small scale industries under the "Industrial Policies" and "Plan Periods". A number of incentives and concessions have been offered to entrepreneurs by both the Central Government and State Governments. Several organisations have been set up at various levels to foster growth in small scale sector and provide financial, technical and managerial support. A brief account of the concepts, importance attached to small scale industries in the five year plans and in the industrial policies and the role of various agencies in assisting small scale industries are discussed in this chapter.
2. CONCEPTS OF SMALL SCALE INDUSTRY

The small scale industry is defined either in terms of the quantum of investment in "fixed assets" or on the number of persons employed or both. In developed countries like USA, UK, West Germany and Sweden, the criterion for defining a small industry is the size of employment. In Italy and Japan both employment and investment are taken into account in defining the small scale industry.

In India, the small scale industry was defined, initially in 1955, as "a manufacturing unit employing less than 50 persons, if using power, and less than 100 persons without the use of power and having an investment in fixed assets not exceeding Rs. five lakhs". However the employment concept was completely given up in 1960. A new concept of "ancillary industry" (i.e.) units manufacturing products for other industries, where these products are used as parts or components of their final product was introduced in 1960. The investment ceiling in fixed assets for ancillary units was kept at Rs. 10 lakhs. In 1966 due to the devaluation of the rupee the definition of small scale industry was further revised so as to include the investment in fixed assets upto Rs. 7.5 lakhs. The fixed assets were to include plant and machinery only and exclude other assets like land and building.
Keeping in view the escalation in prices of plant and machinery, the Government of India again revised, in 1975, the upper limit of original investment in plant and machinery from Rs. 7.5 lakhs to Rs. 10 lakhs. In the case of ancillary units also the ceiling of investment in plant and machinery was raised to Rs. 15 lakhs. A new concept of tiny sector within the small scale sector was introduced in 1977. The tiny sector shall cover those units which are having investment in machinery and equipment upto rupees one lakh and are situated in towns and villages having a population less than 50,000.

The Industrial Policy Statement, 1980 introduced new definitions about small and tiny industries by increasing the investment limits. The maximum investment on tiny units was raised from rupees one lakh to two lakhs. The investment limit of small units was raised from Rs. 10 lakhs to Rs. 20 lakhs and the investment limit of ancillaries from Rs. 15 lakhs to Rs. 25 lakhs. "Service" enterprises which hitherto had not been included in the definition of small industries were made eligible for registration as small industries subject to the condition that such "Service" units will have a maximum investment of rupees two lakhs in plant and machinery and its location should be in rural areas and towns with a population of five lakhs or less.4
The investment limit criterion for defining the small scale unit was revised in the Industrial Policy Statement 1985. Accordingly, all manufacturing units having investment in plant and machinery upto Rs. 35 lakhs were brought under the definition of small scale industry. In the case of ancillary units the investment ceiling was raised to Rs. 45 lakhs.

On 2nd April 1991, the Ministry of Industry notified the following definitions.

I Small Scale Industrial Undertaking

i) An industrial undertaking in which the investment in plant and machinery whether held on ownership terms, or on lease or by hire-purchase, does not exceed Rs. 60 lakhs. The limit of investment in plant and machinery shall be Rs. 75 lakhs provided the unit undertakes to export atleast 30% of the annual production by the end of third year from the date of its commencing production.

II Ancillary Industrial undertaking

An industrial undertaking which is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or
intermediates or rendering of services and the undertaking supplies or renders or proposes to supply or render not more than 50% of its production or services, as the case may be to one or more other industrial undertakings and whose investment in plant and machinery, whether held on ownership terms, or on lease, or on hire-purchase, does not exceed Rs. 75 lakhs.

III Tiny Enterprises and Industry Related Service/Business Enterprises

On 6th August 1991, the limit for "Tiny Enterprises" was enhanced from rupees two lakhs to rupees five lakhs irrespective of the location of unit. The Small Scale Service and Business (industry related) Enterprises, with investment in fixed assets excluding land and building upto rupees five lakhs are also eligible for benefits as available to tiny units.

3. INDUSTRIAL POLICIES AND SMALL SCALE INDUSTRIES

The policy measures initiated by the government under the various Industrial Policies are briefly presented below.

(i) Industrial Policy, 1948.

In the post-independence the first Industrial Policy pronounced by the Government, the Industrial
Policy 1948, clearly defined the role to be played by the small and cottage industries and highlighted their importance in better utilisation of local resources and in achieving local self-sufficiency in certain types of essential consumer goods. It also pointed out the need for the provision of raw materials, cheap power, technical advice, organised marketing services, safeguards against competition by large manufacturers as well as the education of workers and adoption of new techniques for the healthy growth of this sector.

ii) Industrial Policy Resolution, 1956

The State followed a policy of supporting small scale industries by restricting the volume of production in the large scale sector, by differential taxation or by direct subsidies. The aim of the State policy was to ensure that the small sector acquires sufficient vitality for self-supporting and its development gets integrated with that of large scale industry.

iii) Industrial Policy, 1973

Under the Industrial Policy announced by the Government on 2nd February 1973, preference was given to small and medium entrepreneurs over the large industrial undertakings and foreign companies in the
setting up of new capacity. Co-operatives and small and medium entrepreneurs would also be encouraged to participate in the production of mass consumption goods

iv) New Industrial Policy, 1977

The Janata Government gave a fitting place to small scale sector in the Industrial Policy, 1977. The main thrust of the policy was on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.

The policy statement suggested the following measures:

(a) It would be the policy of the Government that whatever could be produced by small, cottage industry must only be so produced. The number of products reserved for small sector was increased from 180 to 807.

(b) Special attention would be given to units in the "Tiny sector".

(c) In each district there would be a District Industries Centre to deal with all the requirements of the small and village industries.

(d) Provision of services such as product standardisation, quality control, marketing surveys, etc., for better marketing.
(e) Technical change would be encouraged in the traditional sector, as for instance the production of "Naikhadi"

(v). Industrial Policy Statement, 1980

This policy introduced the concept of "Nucleous Plants" to look after the input needs, marketing and ancillarisation. A scheme for building buffer stocks of essential raw materials for small scale industries for operation through the Small Industries Development Corporations in the States and the National Small Industries Corporation in the Centre was framed. The Government intended to strengthen the existing arrangements to finance small scale units and make changes if necessary to ease the credit problems of the sector.

(vi) Industrial Policy Statement, 1985

This policy also accorded importance to the small scale sector and made some suitable policy changes. The definition of small scale unit was revised to include all manufacturing units having investment in plant and machinery upto Rs. 35 lakhs. In the case of ancillary units, the investment ceiling was Rs. 45 lakhs.
(vii) Industrial Policy, 1991

For the first time a New Small Scale Industries Policy was announced by the Government on 6th August 1991. The various features were:

(a) The investment limit (investment in plant and machinery) to SSI units was raised to Rs. 60 lakhs from Rs.45 lakhs. In case of ancillary and export oriented units, the investment limit was raised to Rs. 75 lakhs from Rs.60 lakhs.

(b) The investment limit for the tiny sector was raised to rupees five lakhs from the present limit of rupees two lakhs.

(c) All industries related to services and business enterprises irrespective of their location would be recognised as small scale industries.

(d) The Small Industries Development Organisation was recognised as the nodal agency to support the small scale industries' export promotion.

(e) An Export Development centre would be set up in SIDCO to serve the small scale units through its network of field officers to further augment export activities of the sector.

(f) A Technology Development Cell (TDC) would be set up in SIDCO which could provide technology inputs
to improve quality and competitiveness of products of small scale sector.

(g) The National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organisational link between NSIC and SSIDCs would be established.

(h) The scope of National Equity Fund Scheme would be widened to cover projects up to Rs.10 lakhs for equity support (upto 15%). Small scale units could have equity support to the extent of 24% of the total investment from the medium and large scale industries, public undertakings, NRIs for foreign investment.

4. RECENT GOVERNMENT MEASURES FOR ASSISTING SSIs

The policy measures for promoting and strengthening the small, tiny and village enterprises were announced in the Parliament on 6th August 1991. The important measures are 12.

(i) Disbanding the restricted list of small sector, (ii) Delegation of authority to the state Government for registration of electronic items at the state level, (iii) Simplification of registration procedure, (iv) Exemption to units employing less than 50/100 workers with/without power from obtaining industrial
Limitation of visits of Excise Inspectors to the SSI units, (vi) Joint appraisal of projects by SFCs and Banks, (vii) Exemption from excise duty upto Rs. 30 lakhs, (viii) Opening up of defence ancillary units to the small scale sector. (ix) Passing of Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertaking Act, 1993.

5. RBI MEASURES FOR AUGMENTING FLOW OF CREDIT TO SMALL SCALE SECTOR

The Reserve Bank of India announced the following measures to augment the flow of credit to the small scale sector in October 1993. They are

(i) Banks should give preference to village industries, tiny industries and small units in that order while meeting the credit requirements.

(ii) Village industries, tiny industries and small scale units having aggregate fund based working capital credit limits upto Rs. 50 lakhs from the banking system be provided with funds upto a minimum of 20 % of their projected annual turnover.

(iii) Procedure and time frame laid down for disposal of loan applications should be strictly enforced.
(iv) Whenever an application for fresh limits/enhancement of existing limits was not considered favourably by the sanctioning official, the same should be referred to the next higher authority with all relevant particulars.

(v) Commercial banks should open specialised branches to cater to the SSI clientele in the 45 districts where they will be acting as the principal financing agency as also in the 119 districts each having registered SSI units between 1000 and 2000.

(vi) State Financial Corporations (SFCs) shall act as the principal financing agency for the SSIs in 40 districts (having more than 2000 registered SSI units).

(vii) When any advance to an SSI unit has to be rated down from 'standard' to 'sub-standard' category, the concerned bank branch should go on alert and make full enquiry into the financial health of units and its operations and report its findings to higher authorities.

(viii) Under joint financing now being applicable banks should have pari passu charge on the fixed assets of the units apart from the exclusive charge on the current assets.

(ix) An effective grievance redressal machinery within each bank which can be approached by the SSI in case of difficulties has to be set up.
(x) Compulsory deposit mobilisation as a 'quid pro quo' for the sanction of credit facilities to be desisted.

6. SMALL SCALE INDUSTRIES UNDER THE FIVE - YEAR PLANS

(i) First Five - Year Plan (1951 - 1956)

During the First Five-Year Plan period the ground work was laid for the growth of small scale industry. The principle of "Common Production Programme" was accepted and certain spheres of production for large industries on one hand and the small industries on the other were exclusively reserved. With the sole aim of helping cottage and small industries sector certain specific policy measures were introduced. They were, non-expansion of the capacity of large industry, imposition of a cess on large industry for helping the small industry, arrangement of supply of raw materials to small and cottage industries and co-ordination of research and training. An outlay of Rs.5.20 crores was set apart for the promotion of small and village industries.

Considerable importance was attached to making provision for adequate finance for the development of village and small industries. In pursuance of the recommendations of the International Perspective Team, four Regional Extension Institutes were set up at Bombay, Calcutta, Delhi and Madras to provide technical assistance to small industrialists.
During this plan period the Government constituted the Small Industries Development Board (1954) and the National Small Industries Corporation (1955).

(ii) Second Five-Year Plan (1956-61)

During this plan period attempts were made to integrate the small scale sector with that of large industries. For the first time 128 items were reserved for the exclusive production in small sector and 166 items for exclusive purchase by the Government departments and agencies. In order to encourage the promotion of small industries, 60 industrial estates were established. Besides, Small Industries Service Institutes were set up in all the States followed subsequently by 42 extension centres.

In the total outlay of Rs. 1094 crores, small and village industries were allocated Rs. 56 crores. At the end of the second Five-Year Plan, the number of registered small units amounted to 37,153. These units provided employment to 14.8 lakh persons. The total investment in these units was Rs. 235 crores and the gross output was Rs. 1280 crores\(^14\).

(iii) Third Five-Year Plan (1961-66)

Regarding the promotion of small and village industries, the third Five-Year Plan attempted to
increase labour productivity. It also made available institutional finance, subsidies, sales rebates and sheltered markets to the small scale sector. Of the total outlay of Rs. 2720 crores, the amount earmarked for small scale sector was Rs.113.06 crores. In the small and village industries sector, the number of registered units rose to 44,340 by 1965 with the consequent increase of investment to Rs. 309 crores, the gross output to Rs.2042 crores and the total employment to 15.51 persons\textsuperscript{15}.

(iv) Fourth Five - Year Plan (1969-70 to 1973-74)

The main programmes during the plan were (i) credit facilities under the State Aid to Industries Act, (ii) training and common service facilities for quality marketing and (iii) consolidation of the industrial estates programme to be administered by the States.

Out of the total outlay of Rs. 5300 crores for the industrial development Rs. 145 crores were earmarked for the development of small industries and setting up of industrial estates\textsuperscript{16}. The statistics available for 1975 indicates that the number of registered small units had increased to 2.46 lakhs and this sector had exported goods worth Rs.532.11 crores\textsuperscript{17}. 
(v). Fifth Five - Year Plan (1974-75 to 1979-80)

The Fifth Five - Year Plan document in regard to small and village industries, laid emphasis on the growth of number, volume and wide range of production for small industries. Further schemes for extension services and increase in institutional finance phenomenally supported the growth of small scale sector. Regional testing centres were established. More branches of Small Industries Service Institutes were also opened.

Out of the total outlay of Rs. 7362 crores provided for the development of industrial sector, Rs.510 crores were earmarked for village and small industries. According to statistics for 1978-79, the cumulative number of registered small industries increased to 3.34 lakhs and the employment rose to 63.8 lakhs. The fixed investment increased to Rs. 4431 crores and the gross output to Rs. 15,790 crores.\(^{18}\)

(vi) Sixth Five - Year Plan (1980 - 85)

The achievements of the Sixth Five - Year Plan show that by the end of 1984-85, the number of small scale units rose to 12.40 lakh units. Their production increased to Rs. 50,520 crores, the employment rose to 90 lakh people and the exports increased Rs.2350 crores.\(^{19}\)
The small industries achieved the targets in terms of output, employment and exports.

During the period nucleous plants were set up in the industrially backward districts to generate a network of small scale units. A scheme to improve and restore the borrowing capacity of small scale units through provision of margin money with other inputs and active involvement of financial institutions was also evolved to deal effectively with the problem of sickness of industrial units. Efforts were further made for a wider dispersal of entrepreneurship.

(vii) Seventh Five - Year Plan (1985-86 to 1989-90)

The Seventh Plan made a provision of Rs.2,752 crores for village and small industries, which is 1.5% of total outlay. However the actual expenditure for the plan period was Rs. 3,249 crores. A review of the progress of modern small scale industries (Table 1) reveals that achievement surged forward and was even more than the targeted level in terms of production, employment as well as exports. As against the target of Rs. 80,220 crores in production, the achievement was Rs. 92,080 crores indicating an annual average growth rate of 12.4%. In terms of employment, the growth rate was 6.1%. The total employment provided was 119.60 lakh persons against the
target of 119 lakh persons. The average annual growth rate of exports was 26.5%. As against the target of Rs. 4140 crores, the achievement was Rs. 7626 crores. The relevant data are presented in Table 1.

Table 1
Progress of Modern Small Scale Industries During the Seventh Five-Year Plan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Target</th>
<th>Achievement</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (Rs.)</td>
<td>80,220</td>
<td>92,080</td>
<td>12.4</td>
</tr>
<tr>
<td>Exports (Rs.)</td>
<td>4,140</td>
<td>7,626</td>
<td>26.5</td>
</tr>
<tr>
<td>Employment (Lakh Persons)</td>
<td>119</td>
<td>119.6</td>
<td>6.1</td>
</tr>
</tbody>
</table>


During the Annual Plan 1990-91 the achievement of production and the employment were Rs.1,55,340 crores and 124.30 lakh persons respectively. The shortfall against the target in respect of production was
Rs. 3722 crores and in respect of employment had been 1.2 lakh persons. The satisfactory aspect was the achievement of export to the tune of Rs. 9100 crores against the target of Rs. 7100 crores. The progress of modern small scale industries during the Annual Plan 1991-92 was satisfactory since the targeted production of Rs. 1,60,000 crores was achieved. Further the achievement in respect of exports was Rs.12,658 crores against the target of Rs. 7981 crores. With regard to the employment provided it was not satisfactory since the employment achieved was 126 lakh persons against the target of 133.3 lakh persons.


The growth rate of the small scale industries sector which was 5.6% in 1992 - 93, was estimated to be more than 7% in the year 1993-94. Additional employment of nearly five lakh people was created every year during the above said two years. Exports from the SSI sector increased very promisingly. In 1993 - 94, exports from the SSI sector were more than Rs.24,000 crores at current prices.
7. PROGRESS OF SMALL SCALE INDUSTRIES

The progress of small scale industries at the national level for a period of ten years from 1983 - 84 to 1992 - 93 is studied in terms of (i) the number of units (ii) the value of production (iii) the value of exports and (iv) the employment provided. They are presented in Table 2.

Table 2

Growth of Small Scale Industries

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in lakhs)</th>
<th>Employment (in lakhs)</th>
<th>Production (rupees in crores)</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>11.55</td>
<td>84.10</td>
<td>41.62</td>
<td>21.64</td>
</tr>
<tr>
<td>1984-85</td>
<td>12.40</td>
<td>94.00</td>
<td>50.52</td>
<td>25.41</td>
</tr>
<tr>
<td>1985-86</td>
<td>13.53</td>
<td>96.00</td>
<td>61.23</td>
<td>27.69</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.62</td>
<td>101.40</td>
<td>72.25</td>
<td>36.44</td>
</tr>
<tr>
<td>1987-88</td>
<td>15.83</td>
<td>107.00</td>
<td>87.30</td>
<td>43.73</td>
</tr>
<tr>
<td>1988-89</td>
<td>17.12</td>
<td>113.00</td>
<td>106.40</td>
<td>54.90</td>
</tr>
<tr>
<td>1989-90</td>
<td>18.23</td>
<td>119.60</td>
<td>132.32</td>
<td>76.26</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.48</td>
<td>125.30</td>
<td>155.34</td>
<td>96.64</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.80</td>
<td>129.80</td>
<td>178.70</td>
<td>138.83</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.35</td>
<td>134.06</td>
<td>209.30</td>
<td>177.84</td>
</tr>
</tbody>
</table>

Source: Compiled from the publications of the Office of the Development Commissioner (SSI) Ministry of Industry, New Delhi.
Table 2 reveals that the number of units, the number of persons employed, the value of production and the value of exports have consistently increased over the years. The trend analysis suggests that on an average every year the increase in (a) the number of units was 1.20 lakhs, (b) the number of persons employed was 5.50 lakh persons, (c) the value of production was Rs. 18.64 crores and (d) the value exports was Rs. 16.21 crores.

8. COMMERCIAL BANKS' ASSISTANCE TO SMALL SCALE INDUSTRIES

Ever since the nationalisation of the fourteen major commercial banks in 1969, financing small scale industry has assumed an important place in banking activity. Banks have been providing liberal finances to these units at concessional terms and have formulated special schemes of finance. These schemes include financing artisans and craftsmen, village / cottage industries, handloom and carpet weavers, blacksmith, carpenters, qualified engineer entrepreneurs and small enterprises engaged in productive activities.

Prior to nationalisation, the banks were mainly lending to large scale industries. Now the focus of lending has changed from a 'class' to 'mass' from a 'security oriented' to a 'project and need based approach' and from 'developed' to 'under developed areas'.

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i). Types of Assistance

Financial assistance by the commercial banks can be broadly classified under two heads. viz., I) Term loans and II) Working capital loans which include cash credit, bills facilities, overdraft and demand loans.

I) Term Loan

Term loan is a single transaction loan where the loan amount is disbursed either in lumpsum or in stages and the same is repaid in not less than 36 months. It is normally extended for acquisition of land, building, machinery and equipment. It is usually granted for periods varying from three to seven years, depending upon the profit generation capacity of a unit.

II) Working Capital Loans

(a) Cash Credit

Under cash credit facility, the drawings are allowed against security of stocks / merchandise and a borrower can operate this account within the limit fixed as per sanctions. The borrower can deposit the money whenever he is in a position to do so to save the interest burden. This facility is allowed against pledge or hypothecation of goods.
(b) Bills Facilities

It includes Bills Purchased, Bills Discounted and Advances Against Bills for Collection. "Bills Purchased" is used for allowing advances against demand bills which are payable on presentation before the drawee.

Under Bills Discounting advance is allowed against bills which mature after a certain period of time. Under Advances Against Bills for Collection, the banker sanctions advance against bills which are lodged with him for collection.

(c) Overdrafts

Overdrafts are current accounts on which drawing limits have been sanctioned against security or without security. They are generally granted for short periods and are subject to a stipulated repayment programme.

(d) Demand Loans

A demand loan is an advance for a fixed amount repayable on demand.

(ii) (a) Extent of Assistance

Commercial banks have been playing a commendable role in extending financial assistance to the priority
sector. The priority sector lending which amounted to Rs. 483.3 crores in 1969 has gone up to Rs. 49,758 crores by 1993. In case of small scale industries the disbursement increased from Rs. 257 crores in March 1969 to Rs. 20027 crores in March 1993.

(ii) (b) Financial Assistance to Priority Sector and Small Scale Industries by the Commercial Banks

The financial assistance extended to the priority sector and small scale industries by the nationalised and non-nationalised banks (50 scheduled Banks) at the national level is presented in Table 3 which shows that the amount disbursed to the priority sector and small scale industries by the commercial banks has consistently increased over the years. Small scale industries account for 37.94% of the priority sector's financial assistance.
Table 3

Financial Assistance to Priority Sector and Small Scale Industries by Commercial Banks at the National Level

(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Priority Sector (Rs)</th>
<th>Small Scale Industries (Rs)</th>
<th>% of SSI in priority sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>83 - 84</td>
<td>14,899</td>
<td>5,447</td>
<td>36.56</td>
</tr>
<tr>
<td>84 - 85</td>
<td>18,409</td>
<td>6,612</td>
<td>35.92</td>
</tr>
<tr>
<td>85 - 86</td>
<td>21,566</td>
<td>7,816</td>
<td>36.24</td>
</tr>
<tr>
<td>86 - 87</td>
<td>25,059</td>
<td>9,103</td>
<td>37.22</td>
</tr>
<tr>
<td>87 - 88</td>
<td>29,070</td>
<td>10,820</td>
<td>38.39</td>
</tr>
<tr>
<td>88 - 89</td>
<td>34,219</td>
<td>13,135</td>
<td>38.49</td>
</tr>
<tr>
<td>89 - 90</td>
<td>40,383</td>
<td>15,543</td>
<td>38.49</td>
</tr>
<tr>
<td>90 - 91</td>
<td>42,915</td>
<td>17,181</td>
<td>40.03</td>
</tr>
<tr>
<td>91 - 92</td>
<td>45,425</td>
<td>18,150</td>
<td>39.96</td>
</tr>
<tr>
<td>92 - 93</td>
<td>49,758</td>
<td>20,027</td>
<td>40.25</td>
</tr>
<tr>
<td>Average</td>
<td>32,170</td>
<td>12,383</td>
<td>37.94</td>
</tr>
<tr>
<td>SD</td>
<td>13,002</td>
<td>5,453</td>
<td></td>
</tr>
<tr>
<td>CV</td>
<td>42.82</td>
<td>46.25</td>
<td></td>
</tr>
<tr>
<td>C.G.R.</td>
<td>15.18</td>
<td>16.60</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from Reserve Bank of India Bulletins from 1984 to 1994
Further Table 3 shows that the share of SSI in the priority sector's assistance has also increased over the years. Though the compound growth rate of assistance is higher in respect of the small scale industries (16.60%) than the priority sector (15.18%), the coefficient of variation suggests that greater stability is found in respect of the latter.

From the above facts it is inferred that a considerable portion of the priority sector credit has been allocated to the small scale industries.

(ii) (c) Correlation and Regression Analysis

In order to find out whether there exists any significant relationship between the financial assistance to priority sector and small scale industries, correlation and regression analysis have been employed and the results are given in Table 4.

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>t</th>
<th>Table value at 5% level</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>( r = 0.99 )</td>
<td>62.20</td>
<td>1.860</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>( b = 0.39 )</td>
<td>23.15</td>
<td>1.860</td>
<td>Significant</td>
<td></td>
</tr>
</tbody>
</table>
The correlation coefficient is significant at 5% level indicating that there is a close positive relationship between financial assistance (i) priority sector and (ii) small scale industries.

The regression analysis suggests that a increase in the value of assistance to priority sector by a rupee leads to an increase in the allocation to small scale industries by 39 paise.

(iii) Share of Priority Sector and Small Scale Industries as a percentage of NetBank Credit

Financial assistance to the priority sector and small scale industries as a percentage of net bank credit is presented in Table 5 which reveals that the percentage of priority sector's credit in the net bank credit has increased over the years for the first five years of the study period.

As directed by the Reserve Bank, the proportion of banks' advances to priority sector reached the target of 40 % by the end of March 1985\textsuperscript{27}. Scheduled banks' lending to the priority sector has exceeded the target for the six years from 1984 - 85 to 1989 - 90. The percentage of advances to the priority sector fell short of the target for the three successive years from 1990 - 91 to 1992 - 93 due to the strict credit policy announced by the Reserve Bank from time to time during these years.
<table>
<thead>
<tr>
<th>Year</th>
<th>Priority Sector</th>
<th>Small Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983 - 84</td>
<td>38.00</td>
<td>14.17</td>
</tr>
<tr>
<td>1984 - 85</td>
<td>40.80</td>
<td>14.65</td>
</tr>
<tr>
<td>1985 - 86</td>
<td>42.30</td>
<td>15.31</td>
</tr>
<tr>
<td>1986 - 87</td>
<td>42.20</td>
<td>15.32</td>
</tr>
<tr>
<td>1987 - 88</td>
<td>44.10</td>
<td>15.30</td>
</tr>
<tr>
<td>1988 - 89</td>
<td>43.20</td>
<td>16.58</td>
</tr>
<tr>
<td>1989 - 90</td>
<td>43.40</td>
<td>16.32</td>
</tr>
<tr>
<td>1990 - 91</td>
<td>39.30</td>
<td>15.73</td>
</tr>
<tr>
<td>1991 - 92</td>
<td>38.50</td>
<td>15.46</td>
</tr>
<tr>
<td>1992 - 93</td>
<td>35.00</td>
<td>14.08</td>
</tr>
<tr>
<td>Average</td>
<td>40.24</td>
<td>15.12</td>
</tr>
</tbody>
</table>

Source: Same as for Table 6.

Note: Net Bank credit means advances exclusive of bills discounted with RBI, IDBI, EXIM bank and other approved financial institutions.

Though there is no prescribed target of advances to small scale industries, the percentage of banks' lending to the small scale industries in the net bank credit has
consistently increased for the six years ending 1988 - 89. In tune with the reduction in the share of priority sector advances the proportion of advances to small scale industries in the net bank credit has declined for the last four years (from 1989 - 90 to 1992 - 93). It is due to the tight credit policy announced by the Reserve Bank of India. On an average 15.12% of the net bank credit has been made to the small scale industries.

9. NATIONAL SMALL INDUSTRIES CORPORATION'S ASSISTANCE TO SMALL SCALE INDUSTRIES

The National Small Industries Corporation Limited (NSIC) was set up by the Government of India on the recommendations of the then Ford Foundation by an Act of Parliament in February 1955. NSIC as an institutional agency, designs and operates its hire purchase programme for supply of machinery and equipment. It has continued to play a significant role in the development of small scale industries, particularly in rural and backward areas. The corporation has taken up a scheme to market products on an agency basis. The corporation adopts Single Window Approach in providing assistance to its export associates.28
(i) Schemes of Assistance

The Corporation's various schemes of assistance are

(a) Hire Purchase scheme

NSIC provides industrial finance by way of supplying imported machines on hire purchase to small scale industries all over the country. NSIC arranges foreign exchange, obtains import licence, opens the letter of credit and looks after the customs requirements and clearance of machines. The value of machines supplied under hire purchase scheme amounted to Rs.14.31 crores during 1992-93.29

(b) Equipment Leasing

The equipment leasing scheme has been framed exclusively for existing viable SSI units for expansion, modernisation, technological upgradation and diversification. The corporation's equipment leasing scheme registered a turnover of Rs 12.24 crores during the year 1992-9330.

(c) NSIC's Marketing Assistance Programme

NSIC under its marketing programme, envisages not only larger markets for the products of small scale industries, but also ensures availability of certain
scarce indigenous as well as imported raw materials and inculcation of quality control consciousness. The value of small industries products marketed including exports amounted to Rs 27.47 crores during 1992-93.

(d) Raw Material Assistance Scheme

It consists of procurement and supply of raw material from local sources where the units face difficulty in getting raw material in bulk and units which are facing working capital problem and acting as their agent.

(e) Prototype Development and Training Centres (PDTCs)

NSIC is running Prototype Development and Training Centres at several places all over the country with the objectives of providing excellent technical support to the small scale sector by ensuring supply of technically trained manpower, development of commercially viable prototypes, testing facilities, improved tools development of appropriate technology and creation of technical infrastructure in rural and backward areas. The services rendered and sale of products manufactured by PDTC's recorded Rs.78 crores during 1992-93.
(f) Government Purchase Programme

The Government is the largest single buyer of a variety of goods and with a view to increase the share of the purchases from small scale sector, the Government Stores Purchase Programme was launched in 1955-56. SSI units which are interested in supplying to various Government departments can apply for registration under NSIC's Government Stores Purchase Programme. Such units would enjoy the benefits of tender forms on free of cost, exemption from payment of "Earnest Money Deposit", waiver of security deposit, price preference upto 15% over the price of the lowest large scale unit in respect of unreserved items.

(g) Bill Discounting

NSIC's one of the unique schemes is discounting of SSI supply bills to medium and large scale units for a maximum period of 90 days.33

(h) Financial Services Division

The financial services offered by the Financial services Division of the corporation include (i) Financial assistance for the product and marketing activities, (ii) Working capital finance for meeting emergent needs of small enterprises and export oriented
units, (iii) Attractive interest rates and service charges with liberal terms of margins, (iv) Prompt clearance of proposals with minimum processing time and (v) On the spot assistance in preparing the proposals and completion of documentation facilities.

(ii) Operational Highlights of NSIC

The working results of the NSIC for the five years ending 31st March 1993 are given in Table 6.
Table 6

Operational Highlights of NSIC (Rs.inLakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (Rs.)</th>
<th>Net Profit (Rs.)</th>
<th>Percentage of Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988 - 89</td>
<td>6,891.53</td>
<td>100.31</td>
<td>1.46</td>
</tr>
<tr>
<td>1989 - 90</td>
<td>10,113.28</td>
<td>146.75</td>
<td>1.45</td>
</tr>
<tr>
<td>1990 - 91</td>
<td>12,153.58</td>
<td>109.40</td>
<td>0.90</td>
</tr>
<tr>
<td>1991 - 92</td>
<td>11,064.00</td>
<td>113.05</td>
<td>1.02</td>
</tr>
<tr>
<td>1992 - 93</td>
<td>12,050.00</td>
<td>124.57</td>
<td>1.03</td>
</tr>
</tbody>
</table>


It is found in Table 6 that the turnover of the corporation has increased during the years 1989-90 and 1990-91. Regarding the net profit it has not increased in tune with the turnover. During the year 1992-93 there has been much increase in equipment leasing and on the export front. The percentage of net profit to turnover is not only low but has also declined over the years. As on 31st March 1993, the corporation had 23,640 registered units which secured business worth Rs. 1,470 crores.
10. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA'S ASSISTANCE TO SMALL SCALE INDUSTRIES

Small Industries Development Bank of India (SIDBI) is a wholly owned subsidiary of Industrial Development Bank of India (IDBI), set up under a special statue of the Parliament. It became operational on April 2, 1990 with an initial paid up capital of Rs. 250 crores and taking over the outstanding portfolio of IDBI relating to small scale sector amounting to Rs. 4200 crores. SIDBI is the apex financial institution set up for the development of small scale sector. During the year 1992-93 the authorised capital and paid-up capital of the bank was raised to Rs. 500 crores and Rs. 450 crores respectively. SIDBI has been ranked 19th among the top 50 development banks in the world and third in India according to a study published by The Banker of London.

(i) Activities of SIDBI

SIDBI, under the charter, has inter alia, been assigned the task of being the main purveyor of term finance to the small scale sector in the country. Small scale industrial units, artisans, village and cottage industrial units in the tiny sector and small road transport operators are extended financial assistance mainly by way of refinance through Primary Lending Institutions (PLIS) viz., State Financial Corporations (SFCs), State
Industrial Development Corporations / State Industrial Investment Corporations (SIDCs / SIICs) and banks which have a wide network of branches.

With a view to encouraging bills culture and helping the SSI units realise their sale proceeds of capital goods/equipment and components/sub-assemblies/intermediates, SIDBI directly discounts bills arising out of these transactions and also rediscounts those bills that are discounted by the banks.

SIDBI has also introduced direct finance schemes for specialised marketing agencies, sub-contracting/ancillary units and infrastructure development agencies so as to fill the gaps in these areas in the existing credit delivery mechanism.

SIDBI has been providing assistance to well run firms on a selective basis for acquiring machinery/equipment both indigenous and imported for modernisation/extension/diversification/balancing scheme etc. Under Equipment Finance Scheme (EFS), project loans are also considered on a selective basis. A venture capital fund of Rs.10 crores has been set up by SIDBI for extension of venture capital support to new ventures promoted by technocrats and other entrepreneurs based on innovative, indigenous and other technologies.
(ii) Sanctions and Disbursements of SIDBI

Financial assistance extended by SIDBI can be broadly classified under three heads. They are (i) schemes of refinance assistance (ii) schemes of direct assistance and (iii) bills schemes. The aggregate sanctions and disbursements under the above schemes are presented in Table 7.

Table 7
Sanctions and Disbursements of SIDBI

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions (Rs.)</th>
<th>Disbursements (Rs.)</th>
<th>Increase/Decrease (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 - 91</td>
<td>2824</td>
<td>2254</td>
<td></td>
</tr>
<tr>
<td>1991 - 92</td>
<td>3407</td>
<td>2588</td>
<td>22 15</td>
</tr>
<tr>
<td>1992 - 93</td>
<td>3550</td>
<td>2787</td>
<td>3 7</td>
</tr>
<tr>
<td>1993 - 94</td>
<td>4014</td>
<td>3331</td>
<td>13 20</td>
</tr>
<tr>
<td>Total</td>
<td>13795</td>
<td>10960</td>
<td></td>
</tr>
</tbody>
</table>

Source: SIDBI Annual Reports (1990-91 to 1993-94)

S= Sanctions; D= Disbursements

Table 7 shows that from the inception, the sanctions and disbursements by SIDBI under the various schemes have increased over the years. During the year 1991-92 the percentage of increase in sanctions is higher than the disbursements. However during the years 1992-93
and 1993-94, the percentage of increase in disbursements is higher than the increase in sanctions. By the end of March 1994, the cumulative sanctions and disbursement were Rs. 13,795 crores and Rs. 10,960 crores respectively.

(iii) Operating Results of SIDBI

The income, expenditure and net profit earned by SIDBI since the year of its inception are given in Table 8

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (Rs.)</th>
<th>Expenditure (Rs.)</th>
<th>Net profit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 - 91</td>
<td>425.10</td>
<td>389.50</td>
<td>35.60</td>
</tr>
<tr>
<td>1991 - 92</td>
<td>506.10</td>
<td>433.90</td>
<td>72.20</td>
</tr>
<tr>
<td></td>
<td>(19)</td>
<td>(11)</td>
<td>(102)</td>
</tr>
<tr>
<td>1992 - 93</td>
<td>674.70</td>
<td>566.40</td>
<td>108.30</td>
</tr>
<tr>
<td></td>
<td>(33)</td>
<td>(31)</td>
<td>(33)</td>
</tr>
<tr>
<td>1993 - 94</td>
<td>851.80</td>
<td>.16.70</td>
<td>135.10</td>
</tr>
<tr>
<td></td>
<td>(26)</td>
<td>(26)</td>
<td>(25)</td>
</tr>
</tbody>
</table>

Source: SIDBI Annual Reports (1990-91 to 1993-94)

Figures in paranthesis indicate percentage of increase over the previous year.
Table 8 shows that the operating income has increased over the years. The rate of increase is 19%, 33% and 26% respectively for the three years 91-92, 92-93 and 93-94 over the previous years. It is also found that the operating expenses have increased for the three years 91-92, 92-93 and 93-94 at the rate of 11%, 31% and 26% respectively as compared to the previous year. The net profit has also increased over the years.

(iv) Policy Initiatives by SIDBI

During the year 1993 - 94, many policy changes were designed to step up the flow of credit, speed up the process of disbursements and remove hardships faced by special target groups. They are (a) Reduction in interest rate, (b) Revision of debt-equity ratio, (c) Single Window Scheme, (d) Bill financing scheme, (e) Foreign currency loans to SSIs, (f) Equity support to SSIs, (g) Assistance to tiny sector, (h) promotion of exports, (i) National equity fund scheme and (j) Transfer of technology scheme.
11. GENERAL INDUSTRIAL SCENARIO OF TAMIL NADU - AN OVERVIEW

The industries in Tamil Nadu have carved a niche in the industrial map of India. According to a report published by the Directorate of Industries and Commerce on the Industrial Development in Tamil Nadu, the contribution of this vibrant sector to the State Domestic Product is in the order of 33 %\(^\text{18}\). The state has about 2,000 medium and large scale industries and has a rich concentration of select industries in certain pockets. It accounts for over 10 % of the country's industrial production\(^\text{19}\).

(i) Major Industries

(a) Product Groups

Tamil Nadu accounts for half of the country's production of power driven pumps, one-fifth of (i) cement, (ii) cotton yarn, (iii) caustic soda and (iv) nitrogenous fertilisers; one-third of diesel engines, three-fifths of safety matches and one-tenth of (i) bicycles, (ii) sugar and (iii) calcium carbide. The state has about 70% of the installed capacity for the manufacture of finished leather and leather products and sizeable share of consumer electronics and software \(^\text{40}\).
(b) Engineering Industry

The engineering industry occupies a proud place in the State since it accounts for 10.17% of the factories, 8.64% of the productive capital, 11.1% of employment and 9.94% of the value of output of the State.

(c) Hosiery and Textile Industry

The hosiery and textile industries have made rapid strides. Tiruppur has emerged as a major exporter of cotton hosiery. Tirupur, hosiery products exports account for more than Rs. 1,000 crores.

(d) Electronics Industry

Electronics has been identified as a sunrise industry. Electronic Corporation of Tamil Nadu, has drawn ambitious plans to promote an electronic city at Sholinganallur near Madras and software parks in Coimbatore and Madras.

(ii) Small Scale Industries in Tamil Nadu

(a) Growth of Small Scale Industries

The small scale sector in Tamil Nadu has made impressive progress. The state had 35,777 registered SSI units at the end of 1980-81, whereas at the end of March
1992 the figure touched 1,38,404 units. The annual compound growth rate of the SSI sector is 13.94%. Tamil Nadu today is one of the leading states in India occupying the fifth place in the number of small scale units. The growth of small scale industries in Tamil Nadu in terms of number of units, employment provided and value of production from 1987-88 to 1991-92 is shown in Exhibits 1 to 3 respectively.

(b) Investment, Employment and Production

By the end of March 1992 the total investment made in the small scale industries sector in the State was Rs. 3626 crores; the employment generated was 14.95 lakh (about 10.5% of all India figure); the value of output reached Rs. 7612 crores (55% of all India production). In the SSI sector the per capita production is Rs. 5.5 lakhs and the average employment per unit is 10 persons.

(c) Products Manufactured

There are 17 major lines of production the SSI sector concentrates upon. In terms of the number of units, the value of production and employment as well, five of these, viz., food and food products, machinery and parts except electrical machinery and parts except electrical machinery metal products, chemicals and chemical products, and paper and paper products are prominent.
EXHIBIT 1

Number of Small Scale Units in
Tamil Nadu

No. of Units (in Thousands)
EXHIBIT 2

Number of Persons Employed in Small Scale Units in Tamil Nadu
EXHIBIT 3

Value of Production Achieved by Small Scale Units in Tamil Nadu
(d) Concentration of SSI units

The spatial distribution of small scale industries indicates that there is heavy concentration of small scale units in the districts of Coimbatore, Madras, Salem and Chengal MGR. Each of the district accounts for more than 12,000 units and put together for 47% of the total number of units in the State[46].

(iii) New Industrial Policy and Small Scale Industries

The New Industrial Policy, 1992 of the Tamil Nadu State Government seeks to stimulate the development of small scale industries and units in the tiny and cottage sectors. The specific measures announced were:

(a) Releasing of the State Capital Subsidy for small scale industries will be made on a stage by stage basis, (b) Institution of monetary system to ensure that the State Public Sector Undertakings / Statutory Boards pay for supplies made by small scale industries promptly and in any case not later than 30 days from the date of receipt of materials, (c) Constitution of Venture Capital Fund by Tamil Nadu Industrial Investment Corporation (TIIC), (d) Establishment of Technology Development Fund (TDF) to enable small scale industries to acquire new know-how and modernise their units, (e) Restriction on the number of visits to SSI by
Factory Inspectors. (f) Under the Green Channel System the establishment of small scale units involving investment in plant and machinery upto Rs. 10 lakhs could go ahead without waiting for prior clearances.47

(iv) Incentives to SSI's under the New Industrial Policy, 1992

The various incentives announced by the Tamil Nadu Government to boost industrialisation are48

(a) Investment Subsidy

Investment Subsidy will be 20% of fixed assets subject to a maximum of Rs. 20 lakhs for all new industries in 31 most backward taluks. It will be 15% on fixed assets subject to a ceiling of 15 lakhs in 75 backward taluks. A higher rate of investment subsidy will be extended to thrust industries namely electronics and leather located anywhere in the state. A special investment subsidy of 10% on fixed assets subject to a maximum of Rs.15 lakhs will be extended to certain industries (e.g.) automobile ancillaries, drugs and pharmaceuticals etc. New Industrial units which employ more than 30% of women in their work force will be eligible for an additional subsidy at 5% upto a ceiling of rupees five lakhs.
(b) Power Tariff Concession

In order to encourage units to have reliable power supply, subsidy for the installation of new generators for captive use to the extent of 15% of cost up to a ceiling of rupees five lakhs will be provided.

New Industries in Tamil Nadu are eligible for tariff concessions. During the first year it is 40%, second year it is 30% and third year it is 20%. Units which go in for expansion will also be eligible for these concessional tariffs. Full exemption from electricity consumption will be given for three years for all the new units.

(c) Sales Tax Concession

A special scheme of sales tax deferral/waiver will be extended for large units established anywhere in the state. It is based on the size of investment. The waiver of sales tax ranges between five and seven years while the deferral of sales tax ranges between 10 and 14 years up to full value of investment. Full exemption of stamp duty will be given on land purchased for industrial units in all industrial estates developed by Government agencies.
(v) Promotional Agencies in Tamil Nadu to Assist Small Scale Industries

There are state agencies which are functioning for promoting the cause of industrial development by chalking out and implementing various schemes of financial assistance benefitting enterprises newly coming up and also the existing ones. A brief account of the promotional role played by these agencies is given below.

(a) Small Industries Development Corporation (SIDCO)

The Tamil Nadu Small Industries Development Corporation came into being in March 1970 with the specific aim of contributing to the small scale sector in the State. The promotional effort of the corporation is extensive, covering the development of infrastructure facilities, distribution of key raw materials, extension of marketing support and most above the construction and allotment of industrial sheds.

(b) District Industries Centres - Tamil Nadu

As the nodal agency, the District Industries Centres provide under one roof the technical guidance and financial assistance needed by the small scale sector. The centres attend to a wide range of activities such as registration of units (issuing temporary or permanent certifi-
cates), securing the clearances prescribed, procuring and distributing certain raw materials through Industrial Co-operatives, disbursing 'State Investment Subsidy', other subsidies and interest free sales-tax loan and implementing the centrally sponsored 'Prime Minister's Self Employment Programme' benefitting the educated unemployed youth.

A look at the performance of the DICs (Table 9) shows that the number of permanent registration certificates issued to SSI entrepreneurs had increased by generation also recorded an increase of 16.8% in 1991-92 over the previous year. The employment generation also recorded an increase of 16.8%. However the assistance disbursed declined by 16.1% during 1991-92 over the previous year.

Table 9

<table>
<thead>
<tr>
<th>Performance of District Industries Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulars</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SSI registration (permanent)</td>
</tr>
<tr>
<td>Employment Generation (No. of persons)</td>
</tr>
<tr>
<td>Assistance Disbursed (Rs.in lakhs)</td>
</tr>
</tbody>
</table>

(c) Tamil Nadu Industrial Investment Corporation (TIIC)

The Tamil Nadu Industrial Investment Corporation Limited (TIIC) has the distinction of being the first State level financing institution in the country. It was incorporated in 1949 as a company under the Companies Act. The corporation though registered under the Companies Act, 1956 is deemed to be a State Financial Corporation under the State Financial Corporations Act, 1951. Most of the sections of the SFC Act have been made applicable to TIIC. The Corporation carries out the functions and responsibilities of State Financial Corporation. Its authorised capital is Rs.30 crores and the paid up capital is Rs.29.99 crores.49

The Tamil Nadu Industrial Investment Corporation provides financial assistance catering to Small Scale and Medium Scale industrial units for acquisition of fixed assets. It grants financial assistance to set up new industries, for expansion, diversification, renovation, modernisation, for purchasing balancing equipment or for purchasing energy saving devices etc., in the case of existing units.

The Corporation provides financial assistance upto Rs.90 lakhs to private and public limited companies as well as to registered co-operative societies. In the case of
proprietary or partnership concerns this limit is Rs.60 lakhs. The corporation finances all types of industries and service units.

Since its inception and up to the end of March 1992, the quantum of assistance sanctioned by the corporation aggregated to Rs. 1321.16 crores, the small scale sector itself attracting Rs.1040.71 crores (79 %).

The corporation has various schemes of financial assistance for different types of industrial units. They are (a) Mini/Composite loans, (b) Soft loan, (c) Seed capital, (d) Modernisation loans, (e) Loans to registered medical practitioners, (f) Loans to transport operators, (g) Loans for captive power units, (h) Equipment refinance and (i) Assistance to professionally qualified persons.

In order to meet the challenges arising out of changing economic scenario, the corporation during the year 1993-94 has entered into Leasing Business, Hire-purchase, Short-term working capital loan on an interim basis and Merchant Banking as a first step towards diversification and broad basing its activities.

The corporation also provides loans at concessional rates of interest and lower promoter's contribution to the industries coming up in the backward districts.
Operational Highlights of TIXC

During the year 1993-94 the corporation achieved an all time high in sanctions, disbursements and recovery. Sanctions amounted to Rs.321.42 crores registering an increase of 55.8% over the previous year. Disbursements were in the order of Rs.198.37 crores indicating a growth rate of 52.5% over the previous year. As far as recovery is concerned, the corporation had collected Rs.183.06 crores showing a growth rate of 36.2% as compared to the previous year 1992-93.

Assistance sanctioned by the corporation is expected to generate employment to 36,740 persons. Small scale industry continues to occupy a place of pride in the corporation's operations. During the year 1993-94, the corporation provided 95% of its financial assistance to the small scale sector as compared to 86% in the previous year. The corporation earned a net profit of Rs.2005 lakhs after providing a sum of Rs.307 lakhs for taxation.
12. SUMMARY

The definition of small scale industry has been amended from time to time by the Government of India. From 2nd April, 1991, small scale industry refers to an industrial undertaking whose investment in plant and machinery does not exceed Rs. 60 lakhs. The limit is Rs. 75 lakhs in respect of ancillary and export oriented units.

All the Industrial Policies pronounced by the Government from 1948 to 1991 have highlighted the importance of small scale sector. The policies initiated a number of measures for the growth and promotion of small scale industries.

The Five-Year Plans and the Annual Plans translated into action the Industrial Policies. During the plan periods NSIC, SIDO, SISIs, DICs, SIDBI and other institutions were constituted for promoting and assisting small scale industries.

Commercial banks have been playing a commendable role in extending financial assistance to the priority sector since their nationalisation. By the end of March 1993, the total amount lent to the priority sector was Rs. 49,758 crores and to the small scale industries was Rs. 20,027 crores.
NSIC has played a significant role in the development of small scale industries. By the end of March 1993, the corporation has registered a turnover of Rs. 120.50 crores.

SIDBI, set up as a refinancing agency to the primary lending institutions, has also introduced direct finance schemes to the specialised marketing agencies. The bank has sanctioned loans to the tune of Rs. 4,014 crores by the end of March 1994.

Tamil Nadu is one of the leading states in India in the industrial development. The state has more than 2000 medium and large scale industries and 1,38,404 small scale units. At the all India level, the state is ranked second in terms of gross output, fourth in terms of the contribution to National Income and fifth in terms of the number of small scale industries. Small Industries Development Corporation (SIDCO) and the Tamil Nadu Industrial Investment Corporation (TIIC) are important among the agencies assisting and promoting the small scale industries. During the year 1993-94, 95% of the financial assistance made by TIIC, has been made to the small scale sector. The progress of small scale industries in the state is commendable.
REFERENCES


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31. Ibid., p. 17.

32. Ibid., p. 17.


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40. Ibid., p. 9.

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48. Ibid., p.197.

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52. 'TIIC's Assistance to SSI', Financial Express(30.9.94)p.3.