CHAPTER II

SCENE OF SMALL SCALE SECTOR DEVELOPMENT — AN OVERVIEW

Small Scale Industries (SSIs) constitute an integral part of an industrial structure of both the developed and developing countries in view of their capacity to provide gainful employment opportunities and contribute to the production of output and service. SSIs have the potential to mop up the skill and entrepreneurial talent in the country and become vital in the economy by making profits from industrial growth to spread over a broader section of the people. That is how it has acquired a prominent place in the development plan of these countries. Hence promotion of small manufacturing enterprises has been one of the main strategies for economic development in the developing countries particularly in India.

The definition of SSIs varies from one country to another depending upon their historical conditions and economic growth. All these definitions are based upon some determining factors, viz., size of industries, number of

DATA AND INFORMATION PRESENTED IN THIS CHAPTER ARE COLLECTED BY THE RESEARCHER FROM STATE AND CENTRAL GOVT. OFFICIAL RECORDS.
persons employed, amount invested, physical measures of out-
put, location, production, technology, energy input, nature of activities engaged in, market orientation etc. In most of the countries, the criterion for defining a small scale industry is related to the number of persons employed. For instance, in U.S.A., a small business is one which employs less than 500 workers. In U.K., a unit employing less than 500 workers are generally referred to as a small unit. In Germany, Sweden, Norway and Denmark a unit employing workers upto 300 is referred to as a small scale unit. In Gambia, Egypt and Israel it is less than 10 persons.¹ But in some countries in addition to number of persons employed amount of investment is also considered to define a small scale unit. In Japan, a small industry is one which employs workers upto 300 and with an investment upto 100 million yen. In Korea workers in between 5 and 300 and investment upto 500 million yen. In Italy the investment limit is up to 1500 million lire and employment upto 500 workers. In Sudan investment upto 1,42,000 dollars and upto 30 full time workers.² In Ceylon, small scale industry has been defined

¹ Chartered Secretary, Institute of Company Secretaries of India, New Delhi, December 1985, p.953.
² Ibid.
as that industry which are mainly motivated by power and has a capital investment not exceeding Rs.2 lakhs.¹

In India, the definition of small scale industry has been altered from time to time, considering increasing cost of investment in plant and machinery.

The first attempt to study the position of village and small scale industries at the national level was made by the National Planning Commission: (NPC). The commission set up a sub committee on rural and cottage industries. The Secretary of the sub committee suggested a definition to the small or cottage industry. "A small or cottage industry may be defined to be an enterprise or series of operations carried on by a workman skilled in the craft on his own responsibility, the finished product of which he markets himself. He works in his own home with his own tools and materials and provides his own labour or atmost the labour of such members of his family as are able to assist. These workers work mostly by hand labour and personal skill, with little or no aid from modern power driven machinery, and in accordance with traditional techniques. Such supplementary energy as is provided by animal power may add to the economy

and efficiency of the industry. He works, finally, for a market in the immediate neighbourhood, that is to say in response to known demand with reference to quality as well as quantity."¹ But the Chairman, Shri. Jawaharlal Nehru, of the NPC pointed out a small difference between cottage industries and SSIs in his note submitted to the sub committee. According to him cottage industries may be those which have no mechanical power and no hired labour; no mechanical power and hired labour under ten persons. SSIs may be those which have no mechanical power but hired labour over 10 persons; mechanical power under 10 B.H.P. (Break Horse Power) but no hired labour; mechanical power over 10 B.H.P. and hired labour.²

After attaining independence, the National Government convened an Industries Conference in December 1947. The conference divided small and cottage industries into three groups viz; those which are auxiliary to large scale industries (eg. manufacture of heralds and reeds, pickers, motor cushions etc.); those which are engaged in the supply


of repair service (eg. motor repair, locomotive, workshops, etc.) and those which are engaged in the manufacturing of finished goods (eg. brass, copper, aluminium ware, furniture soap making, coir rope, pickles, paper etc). The industries Conference further recommended the setting up of a Cottage Industries Board for promoting small scale industries. As such a Cottage Industries Board was set up for promoting SSIs. Realising the inadequacy of a single Board to deal with the problems of the village and small industries sector and for effective planning and development, the village and small industries sector was divided into six groups viz., Handlooms, Khadi and Village Industries, Handicrafts, Sericulture, Coir and Small Scale Industries.¹

On the basis of the recommendation of the Ford Foundation Team, the Government set up the Central Small Industries Organisation (CSIO) and the Small Scale Industries Board. The Small Scale Industries Board, at its first meeting held on 5th and 6th January 1955, adopted the first working definition of a small scale industrial unit as "a unit employing less than 50 persons, if using power and less than 100 persons without the use of power, and with capital assets not exceeding Rs.5 lakhs".² In a short period

¹ Ibid., p.9.
it was realised that the working definition did not serve the purpose particularly from the point of view of maximum utilisation of equipment and capital investment. As such the Small Scale Industries Board modified the definition in 1959. The modified definition covered the undertakings which employed less than 50 persons when using power and less than 100 persons when not using power, per shift. Afterwards, it was felt that employment limitation was found to stand in the way of development of SSIs. The Small Scale Board also realised that flexibility in the definition of small unit is essential. Keeping in view of this aspect, the Government revised the definition of small scale industry (SSI) in 1960 as "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." Capital investment here includes investment in fixed assets such as land, buildings, machinery and equipment. This definition also indicated that a small unit could employ a large number of workers and undertake a greater volume of production. Since industries

1 Ibid., p.5.
2 Ibid.
engaged in the production of ancillary items and components required by large industries needed costly machinery and equipment. The capital investment in these industries were much higher the limit of Rs.5 lakhs. Therefore, the relaxation of capital investment limit was a genuine necessity.

In 1962, the Small Scale Industries Board appointed a sub committee to make the list of ancillary industries eligible for assistance under the small scale industries programme and to review the definition of SSIs. 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 avoiding administrative problems.¹ The government considered the recommendations of the sub committee but could not implement them immediately due to limited resources of raw materials and other facilities available for SSIs.

The Small Scale Industries Board changed the definition of SSIs in 1966 as "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".² Capital investment for this purpose

¹ Ibid., p.8.
² Ibid.
will mean investment in Plant and Machinery only. In case of small industries manufacturing ancillary items, the ceiling of capital investment was fixed as Rs. 10 lakhs. Capital investment for this category too will mean investment in plant and machinery only.

The Government of India appointed a Committee in 1972 for drafting legislation regarding SSIs. The Committee suggested that the small industry sector may be classified into three categories namely Tiny Unit Industry, Small Scale Industry and Ancillary Industry.¹

Tiny Unit Industry - In this category the total capital investment in each unit does not exceed Rs. One lakh, investment per worker does not exceed Rs. 4000 and turnover does not exceed Rs. 5 lakhs per annum.

Small Scale Industry - In this category capital investment in fixed assets does not exceed Rs. 7.5 lakhs irrespective of the number of persons employed.

Ancillary Industry - In this category capital investment in fixed assets does not exceed Rs. 10 lakhs and are engaged in the manufacture of parts, components, or render services and supply at least 10 per cent of its production to one large unit and 50 per cent to one or more large units.

¹ Khan, R.R., Management of Small Scale Industries, S. Chand and Company Ltd., New Delhi, 1979, p.2.
The unanimous view of the 32nd meeting of the Small Scale Industries Board held in November 1974 was that the increase in the prices of capital equipment had made the existing ceiling unrealistic and that a revision of the ceiling was necessary to facilitate the modernisation of existing small industries and the growth of new viable units in sophisticated lines of production. The revised definition of SSIs and small ancillary units as recommended by the Board and approved by the Government of India were as follows:

Small Scale Industries are the undertaking having investments in fixed assets in plant and machinery not exceeding Rs.10 lakhs. Small Scale ancillary industries are the "undertakings having investments in fixed assets in plant and machinery not exceeding Rs.15 lakhs and is engaged in the manufacture of parts, components, sub assembly toolings, intermediaries and rendering of services to the parent units for production purposes provided the unit supplies or proposes to supply 50 per cent of its production

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to one more parent units and further provided that it is not a subsidiary to or controlled by any large unit.¹

The Industrial Policy Resolution (IPR) of 1977 was directed towards removing the distortions of the past so that the aspirations of the people may be met within a time bound programme of economic development. The main thrust was on an effective promotion of the cottage and small industries which were widely dispersed in rural areas and small towns. With this end in view, a new section was introduced for the first time namely the Tiny Sector. It was provided that "the existing definitions of small scale and ancillary industries will remain same, within the small industry sector special attention will be given to units in the tiny sector namely those with investment in machinery and equipment upto Rs. one lakh and situated in towns with a population of less than 50000 according to 1971 census figures."² In 1980 the Government of India revised the definitions on account of continuous price hike in capital investment and industrial inputs. The revised definitions were as follows:

² Ibid., 1979, p.220.
Tiny units are the "undertakings having investment in fixed assets in plant and machinery not exceeding Rs.2 lakhs." Small scale industries are the "undertakings having investment in fixed assets in plant and machinery whether held on ownership terms or by lease or by hire purchase not exceeding Rs.20 lakhs". Ancillary industries are the "undertakings having investments in fixed assets in plant and machinery not exceeding Rs.25 lakhs and engaged in the manufacture of parts, components, sub assemblies, toolings or intermediate; or 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 production of other articles. Provided that no such undertakings shall be subsidiary of, or owned or controlled by any other undertaking".  

In 1985 the Government of India revised the definitions of small and ancillary industries. The Finance Bill, 1985 stated that "small scale sector has played a vital role in our economy and the government proposes to take further steps to promote its growth. The ceiling of

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investment in plant and machinery fixed in 1980, is being raised from Rs.20 lakhs to Rs.35 lakhs. The ceiling in respect of ancillaries is being raised from the present level of Rs.25 lakhs to Rs.45 lakhs.¹

The industrial policy statement was presented to Parliament by the then industry minister on May 31, 1990. This policy has been designed to achieve employment generation at a faster pace; dispersal of industry in the rural areas and to enhance the contribution of SSIs to exports. This Industrial Policy Statement has defined the small scale sector as follows:

Small Scale Units are units having investment in fixed assets in plant and machinery not exceeding Rs.60 lakhs. For those small scale units which will export 30 per cent of their output by the third year of their starting production will have an incentive that their investment limit is further raised to Rs.75 lakhs. Ancillary units are the units having investment in fixed assets in plant and machinery not exceeding Rs.75 lakhs engaged in the manufacture of parts, components, sub assemblies, tooling or intermediates and supplying 30 per cent of the production or

service to other units. Tiny units are the units having investment in plant and machinery not exceeding Rs.5 lakhs established in areas with population of 50,000. Service units are the units having investment in plant and machinery not exceeding Rs.5 lakhs irrespective of location.¹

Investment in plant and machinery for the unit is calculated on the basis of the original price paid by the owner whether it is new or old. The cost of tools, jigs, fixtures dies and spare parts are not considered for calculation. But lending cost is considered for imported machinery, whereas cost of generating set for standby purpose is excluded.


The Union Industry Ministry is working on a proposal to hike the maximum investment stipulation for small scale industries from the present Rs.60-75 lakhs to Rs.3 crore. While the upper investment limit is Rs.75 lakhs for ancillary export units in the SSI sector, the maximum

¹ Development Commissioner (Small Scale Industries), Small Scale Industries: Incentives and Facilities for Development, Publication Division, Ministry of Information and Broadcasting, Government of India, New Delhi, 1995, p.3.
permissible investment of all other industries in the SSI category is Rs.60 lakh.¹

In a labour abundant, capital scarce country like India it is little wonder that SSI has come to occupy a sufficient position in the planned industrialisation of the economy. Most of the SSIs have low capital intensity and high potential for employment generation. They have locational flexibility which is an effective instrument in achieving a wide dispersal of industries. This helps to promote balanced growth, more equitable income distribution, as well as diversification of the industrial structure which often leads to increased utilisation of national resources. The process, if properly nurtured, can help the entrepreneurial class and boost capital formation as well as growth of industries in the small sector in rural, urban and semi urban areas in the country.

SSIs have been established throughout the country and these have been meeting satisfactorily the demand for a wide range of consumers' goods, producers' requirements as well as services required by other industrial units and others.

Since the announcement of the Industrial Policy Resolution of 1948 and 1956 there has been an increasing emphasis on the development of SSIs in the country. The growth of small scale sector has been one of the most distinctive features of India's industrial economy. The growth in respect of number of registered units, production, employment opportunities, capital investment and export performance are measured.

Even though there is stiff competition from the large scale sector, the number of units is increasing rapidly. The number of registered units increased from 0.16 lakhs in 1950-51 to 0.36 lakhs in 1960-61. During 1961-71 the total number of registered units increased to about 2.82 lakhs; an increase of 683.33 per cent over the previous year. There were about 6 lakh small scale industrial units in 1976-77 and the number rose to 7.60 lakhs in 1978. By the end of 1984-85 there were 12.42 lakhs registered small scale industrial units in the country. The Table 1 gives the number of registered and unregistered small scale industrial units in India from 1985-86 to 1995-96.
### TABLE 1

NUMBER OF SMALL SCALE INDUSTRIAL UNITS IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of units (in lakhs)</th>
<th>% Increase over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>13.55</td>
<td>---</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.76</td>
<td>8.93</td>
</tr>
<tr>
<td>1987-88</td>
<td>15.76</td>
<td>6.78</td>
</tr>
<tr>
<td>1988-89</td>
<td>17.12</td>
<td>6.83</td>
</tr>
<tr>
<td>1989-90</td>
<td>18.27</td>
<td>6.72</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.38</td>
<td>6.08</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82</td>
<td>7.43</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.35</td>
<td>7.34</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.85</td>
<td>6.71</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.70</td>
<td>7.76</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Development Commissioner of Small Scale Industries, Government of India.

This growth in the small scale industrial units is because the government has been following a policy of reservations of items exclusively for small scale industries. During 1970-71 there were only 216 items in the reserved list, this number increased to 836 in 1989-90.  

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### TABLE 2
PRODUCTION OF SMALL SCALE INDUSTRIAL UNITS IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Production at current prices (Rs. in crores)</th>
<th>Percentage Increase over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>61,228</td>
<td>---</td>
</tr>
<tr>
<td>1986-87</td>
<td>72,250</td>
<td>18.00</td>
</tr>
<tr>
<td>1987-88</td>
<td>87,300</td>
<td>20.83</td>
</tr>
<tr>
<td>1988-89</td>
<td>106,875</td>
<td>22.42</td>
</tr>
<tr>
<td>1989-90</td>
<td>132,320</td>
<td>23.81</td>
</tr>
<tr>
<td>1990-91</td>
<td>155,340</td>
<td>17.40</td>
</tr>
<tr>
<td>1991-92</td>
<td>178,700</td>
<td>15.04</td>
</tr>
<tr>
<td>1992-93</td>
<td>209,300</td>
<td>17.12</td>
</tr>
<tr>
<td>1993-94</td>
<td>241,648</td>
<td>15.46</td>
</tr>
<tr>
<td>1994-95</td>
<td>293,031</td>
<td>21.26</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Development Commissioner for SSIs, Government of India.

With the growth in small scale industrial units, the production has also increased substantially. The gross value of production was Rs.1246.50 crores in 1961. In 1970-71 the value of production of the small scale sector grew from Rs.5161 crores in 1973-74 to Rs.17,840 crores in 1985-86 giving an annual average growth of 10.9 per cent
which is much higher than the growth rate of industrial production in the large scale sector which was only 5.2 per cent for this period.\(^1\)

The growth of small scale sector improves the production of the non durable consumer goods of mass consumption. As such, it acts as an anti-inflationary force.

Successful utilisation of manpower resources has the key note of the progress of several advanced countries. Every country has to get rid of the problems of unemployment not only for its quicker economic development but also to solve many other socio-economic problems. Unemployment problem may create law and order problem for a country and may threaten the very political and social system of a country in which it exists. The unemployment problems in India is known to be alarmingly pervasive in all sections of the economy, in all regions, and at all levels of skills. The root cause for unemployment in India is the over growing population which has outfaced the development of industry and agriculture. As per Employment Exchanges records by the end of December 1991 the total number of unemployed persons registered with Employment Exchanges in India rose from

165.84 lakhs in 1981 to 363 lakhs in 1991,\(^1\) showed an increase of 118.89 per cent. For a country like India, with limited financial resources and huge reservoir of human resources, SSI is the only means for solving the unemployment problem. In the words of Prof. P.C. Mahalanobis, "in view of the meagreness of capital resources there is no possibility, in the short run, for creating much employment through the factory industries... Now consider the household or cottage industries. They require very little capital. About six to seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten or fifteen or even twenty times greater in Comparison with corresponding factor industries".\(^2\) Prof. Gunnar Myrdal,\(^3\), E.F. Sumacher,\(^4\),

\(^1\) Ibid., p.351


L.K. Jha, B.C. Tandon, Ruddar Datta and K.P.M. Sundaram strongly hold the view that small industries have vast employment potentialities. They find that small industries are labour intensive in nature and possess much more employment generation capacity vis-a-vis large and medium scale industries employing modern sophisticated production technology. They emphasised an 'intermediate technology of production' for small enterprise, which on the one hand, employs as low as a capital investment as possible on the other. The Annual Report of Small Industries Development Organisation states that, the employment generated in small scale factory units is five times that of large establishments for an investment of Rs.1,00,000 in fixed assets. It has been calculated that for every worker employed in small sector an investment of Rs.5,800 is required against Rs.30,900 in the large scale sector.


With the inherent nature of labour intensiveness, small scale industry has been providing employment at an increased rate, in 1961 it provided employment to 21.59 per persons and to 36.70 lakhs by 1971. The total employment was 58 lakhs during 1977-78. But it increased to 90 lakhs during 1984-85. The table 3 showed the employment provided by the SSI sector in India from 1985-86 to 1994-95.

**TABLE 3**

EMPLOYMENT PROVIDED BY SMALL SCALE INDUSTRIES IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment in numbers (in lakhs)</th>
<th>Percentage increase over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>96.00</td>
<td>---</td>
</tr>
<tr>
<td>1986-87</td>
<td>101.40</td>
<td>5.63</td>
</tr>
<tr>
<td>1987-88</td>
<td>107.00</td>
<td>5.52</td>
</tr>
<tr>
<td>1988-89</td>
<td>113.00</td>
<td>5.61</td>
</tr>
<tr>
<td>1989-90</td>
<td>119.60</td>
<td>5.84</td>
</tr>
<tr>
<td>1990-91</td>
<td>125.30</td>
<td>4.77</td>
</tr>
<tr>
<td>1991-92</td>
<td>130.00</td>
<td>3.75</td>
</tr>
<tr>
<td>1992-93</td>
<td>134.10</td>
<td>3.15</td>
</tr>
<tr>
<td>1993-94</td>
<td>139.40</td>
<td>3.95</td>
</tr>
<tr>
<td>1994-95</td>
<td>146.65</td>
<td>5.20</td>
</tr>
</tbody>
</table>

Source: Small Industries Development Organisation, Government of India.
The average annual growth rate of employment in the small scale industrial sector for the period 1980-81 to 1993-94 works out to be 5.3 per cent, it is commendable and strengthen the belief that the absorption of surplus labour can really take place in the small scale sector.

The above analysis of contribution of SSIs towards output and employment in the economy showed that the growth rate has been faster both in terms of output and employment. In other words, the output employment ratio for the small scale sector is 1:1.4. If a big push is given to the small sector, it can become a stabilising factor in a capital scarce economy like India by providing a higher output capital ratio as well as higher employment capital ratio.

SSI are capital light, i.e. they need relatively smaller amount of output than that required by large scale industries since capital output ratio is much smaller in the case of the former. As capital is very scarce in a developing country like India, it may be used to greater advantage on small industry in the early stages of development. Hence, small industries are best from this point of view. The value of investment in small scale industrial sector is also considerable. The investment in fixed capital in small scale industrial sector in 1950-51 was Rs.120 crores, it increased to Rs.235 crores in 1960-61.
But in 1978-79 it was Rs.4431 crores and it rose to Rs.8380 crores in 1984-85. Table 4 depicts the investment in small scale industrial sector in India during the period from 1985-86 to 1993-94.

**TABLE 4**

**INVESTMENT IN SMALL SCALE INDUSTRIAL SECTOR IN INDIA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of investment (Rs. in crores)</th>
<th>Percentage increase over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>9,585</td>
<td>---</td>
</tr>
<tr>
<td>1986-87</td>
<td>10,975</td>
<td>14.60</td>
</tr>
<tr>
<td>1987-88</td>
<td>12,621</td>
<td>15.00</td>
</tr>
<tr>
<td>1988-89</td>
<td>15,229</td>
<td>20.66</td>
</tr>
<tr>
<td>1989-90</td>
<td>18,196</td>
<td>19.48</td>
</tr>
<tr>
<td>1990-91</td>
<td>19,302</td>
<td>6.08</td>
</tr>
<tr>
<td>1991-92</td>
<td>20,438</td>
<td>5.89</td>
</tr>
<tr>
<td>1992-93</td>
<td>21,816</td>
<td>6.74</td>
</tr>
<tr>
<td>1993-94</td>
<td>22,934</td>
<td>5.12</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Development Commissioner for SSIs, Government of India.
With the establishment of a large number of modern small scale industries in the post independence period, the contribution of the small scale sector in export earnings has increased by leaps and bounds. It has entered into hitherto untried markets of advanced countries against the stiff competition from the developing nations. What is heartening to observe is that the bulk of the export of the SSIs consists of such non-traditional items like ready made garments, sports goods, finished leather, leather products, woolen garments and knit wear, processed foods, chemicals and allied products, and a larger number of engineering goods.

The value of exports from small scale industrial units was very significant before 1971, but now the export of small scale industrial sector occupies a pride of place in the total export of India. The increase in the share of exports of SSIs in the total exports is depicted in Table 5 and 6. Table 5 depicts the share of value of export of small scale industrial sector to total export of India while Table 6 shows the value of exports of small scale industrial sector on the total value of production.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Value of exports</th>
<th>Value of Exports of SSIs</th>
<th>% of SSI Export to total export</th>
<th>% increase over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>11,578</td>
<td>2,769</td>
<td>23.92</td>
<td>--</td>
</tr>
<tr>
<td>1986-87</td>
<td>13,315</td>
<td>3,617</td>
<td>27.16</td>
<td>15.00</td>
</tr>
<tr>
<td>1987-88</td>
<td>16,396</td>
<td>4,373</td>
<td>26.67</td>
<td>23.14</td>
</tr>
<tr>
<td>1988-89</td>
<td>20,647</td>
<td>5,681</td>
<td>27.51</td>
<td>25.93</td>
</tr>
<tr>
<td>1989-90</td>
<td>27,658</td>
<td>7,626</td>
<td>27.57</td>
<td>33.96</td>
</tr>
<tr>
<td>1990-91</td>
<td>32,558</td>
<td>9,100</td>
<td>27.95</td>
<td>34.96</td>
</tr>
<tr>
<td>1991-92</td>
<td>44,042</td>
<td>13,627</td>
<td>30.94</td>
<td>41.52</td>
</tr>
<tr>
<td>1992-93</td>
<td>53,688</td>
<td>17,785</td>
<td>33.13</td>
<td>42.90</td>
</tr>
<tr>
<td>1993-94</td>
<td>69,547</td>
<td>22,764</td>
<td>32.73</td>
<td>29.54</td>
</tr>
<tr>
<td>1994-95</td>
<td>82,330</td>
<td>N.A.</td>
<td>18.38</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Note: N.A. - Not Applicable

Source: Annual Reports, Development Commissioner for SSIs, Government of India.
### TABLE 6
SHARE OF EXPORTS TO TOTAL VALUE OF PRODUCTION OF SMALL SCALE INDUSTRIAL SECTOR IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of production</th>
<th>Value of exports</th>
<th>Exports as % of production</th>
<th>% increase over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>61,228</td>
<td>2,769</td>
<td>4.52</td>
<td>---</td>
</tr>
<tr>
<td>1986-87</td>
<td>72,250</td>
<td>3,617</td>
<td>5.01</td>
<td>18.00</td>
</tr>
<tr>
<td>1987-88</td>
<td>87,300</td>
<td>4,373</td>
<td>5.01</td>
<td>20.83</td>
</tr>
<tr>
<td>1988-89</td>
<td>106,875</td>
<td>5,681</td>
<td>5.32</td>
<td>22.42</td>
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<tr>
<td>1989-90</td>
<td>132,320</td>
<td>7,626</td>
<td>5.76</td>
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<tr>
<td>1990-91</td>
<td>155,340</td>
<td>9,100</td>
<td>5.86</td>
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<tr>
<td>1991-92</td>
<td>178,700</td>
<td>13,627</td>
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<tr>
<td>1992-93</td>
<td>209,300</td>
<td>17,785</td>
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</tr>
<tr>
<td>1993-94</td>
<td>241,648</td>
<td>22,764</td>
<td>9.42</td>
<td>15.46</td>
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</table>

Source: Annual Reports, Development Commissioner for SSIs, Government of India.
The SSIs also contribute indirectly to exports as they supply a large number of parts and components that go into the making of finished products by the large industries.

Development of SSIs will bring about dispersion or decentralisation of industries and will, thus, promote the object of balanced regional development. A major drawback in the industrial structure of the country is that the regional distribution of industries is exceedingly uneven. The development of SSIs will tend to correct this uneven distribution of industries in the country. It is due to the fact that the SSIs can be located and developed even in those regions which are not favourable from the point of view of the availability of raw materials etc. Moreover, these industries can be located near the market.

The SSIs require small capital outlay and provide more employment. Since they do not require highly sophisticated technology and more useful in backward areas, these units can be dispersed and spread to remote rural areas of the country to enable the economy to regional imbalances. For an overpopulated, developing country like India, mass unemployment can be reduced only with a rigorous programme of spreading SSIs throughout the country. This would also help in removing mass poverty in the country also.
Explaining its approach and strategy for the development of village and small scale industries, eighth plan clearly states that one of the areas of priority of the eighth plan is generation of adequate employment to achieve near full employment level by the turn of this century.

A number of measures have been taken by the government regarding improving the environment of SSIs sector and removing some of the obstacles which hinder its growth. They include:
- to ensure payment to small scale units a new legislature viz., Interest on Delayed Payment Act, 1993, has been enacted by the parliament; and
- a scheme has been formulated to train unemployed non-technical graduates so as to augment the availability of managers at affordable rates for SSI sector.

Besides, this, the report of the Nayak Committee set up to examine the problems of credit, sickness and other related issues in the SSI sector has been submitted in September 1992. After considering the recommendations of the committee, RBI in July 1993 announced a package of measures to ensure adequate and timely credit to SSI sector.

The main elements of the package are:
- banks should give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirements of the small scale sector;
- the banks should set up the credit flow to meet the legitimate requirements of the SSI sector in full during the eighth five year plan;
- an effective grievance redressal machinery with each bank can be approached by the SSIs in case of difficulties would be set up; and
- banks should adopt the single window clearance scheme of SIDBI for meeting the credit requirements of small scale units.

Allocation from first five year plan to eighth five year plan as shown in Table 7 have steadily increased for the purpose of developing SSIs.
<table>
<thead>
<tr>
<th>Five year plan</th>
<th>Plan period</th>
<th>Total Plan outlay</th>
<th>Village &amp; SSIs</th>
<th>SSIs including IEs</th>
<th>% share of V &amp; SSIs to total outlay</th>
<th>% share of SSIs to V &amp; SSIs</th>
</tr>
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<tbody>
<tr>
<td>First</td>
<td>1951-56</td>
<td>1960</td>
<td>42</td>
<td>5</td>
<td>2.14</td>
<td>11.90</td>
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<td>Second</td>
<td>1956-61</td>
<td>4672</td>
<td>187</td>
<td>56</td>
<td>4.00</td>
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<tr>
<td>Third</td>
<td>1961-66</td>
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<td>241</td>
<td>113</td>
<td>2.81</td>
<td>46.89</td>
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<tr>
<td>Annual</td>
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<td>6625</td>
<td>126</td>
<td>54</td>
<td>1.90</td>
<td>42.86</td>
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<td>Fourth</td>
<td>1969-74</td>
<td>15779</td>
<td>243</td>
<td>96</td>
<td>1.54</td>
<td>39.51</td>
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<tr>
<td>Fifth</td>
<td>1974-79</td>
<td>39426</td>
<td>592</td>
<td>222</td>
<td>1.50</td>
<td>37.50</td>
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<tr>
<td>Annual</td>
<td>1979-80</td>
<td>N.A.</td>
<td>290</td>
<td>105</td>
<td>N.A.</td>
<td>36.21</td>
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<td>Sixth</td>
<td>1980-85</td>
<td>97500</td>
<td>1780</td>
<td>616</td>
<td>1.83</td>
<td>34.61</td>
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<tr>
<td>Seventh</td>
<td>1985-90</td>
<td>180000</td>
<td>2753</td>
<td>1121</td>
<td>1.53</td>
<td>40.72</td>
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<tr>
<td>Eighth</td>
<td>1992-97</td>
<td>434100</td>
<td>6334</td>
<td>N.A.</td>
<td>1.46</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Note: N.A. - Not Available  IEs - Industrial Estates

Source: Compiled from Plan Documents, Planning Commission, Government of India
There was an outlay of Rs.5 crores only for SSIs in the first five year plan which rose to Rs.1121 crores in the seventh plan which shows the sincerity and interest of the Government in the development of this sector.

The success of SSIs depends closely on the well established institutional set up. In order to meet the requirements of the rapidly expanding small scale industrial sector in the country, the government provide adequate institutional support. The role of each institution set up with a view to promoting the growth of SSIs is quite unique, as detailed below:

Soon after the independence, the government took steps to revive and develop cottage and small industries. In 1947, an industries conference was convened. The conference recognised the importance of cottage and small industries in the economy of the country. It was of the view that because of size and nature of these industries, their proper development must remain the responsibility of provincial and state governments. One of the main recommendations of the conference was the establishment of a permanent All India Cottage Industries Board. As a result of the recommendations the government set up an All India Cottage Industries Board in August, 1948. The Board consists of representatives of Provincial and State
governments and certain other institutions. This Board was set up with the objective to advise and assist in the formulation of the programmes of development of small scale industries, including sericulture and coir.

The policy of the government regarding industrial development matters was made specific in the Industrial Policy Resolution 1948. The resolution stressed that cottage industries and small scale industries have a big role to play for an all round development of the country. In a very short duration, it was experienced that a single All India Cottage Industries Board could not take care of this large and varied group of industries and separate boards were necessary to deal with the various groups. As a result, by the end of 1954, six All India Boards were set up in the place of the erstwhile Cottage Industries Board. One Board was the Small Scale Industries Board set up in November 1954. Thus, for the first time SSI sector was recognised as a separate entity.

The Board was charged with the responsibility of advising the Government of India with regard to overall Planning and co-ordination of the programme of the development of SSIs in the country. It consisted of Central and State Government Officials, representatives of Government, financing bodies, The Federation of Small Scale
Industries Associations and a number of non officials representing trade, industry and other interests. The Board considered policy matters such as the version of the definition of the small scale industries for purposes of assistance like the supply of credit and raw materials and formulated guidelines for further growth of the small industrial sector. Meetings of the Board were to be held by rotation in different states, usually once in every six months to help members to acquire first hand knowledge of developments in every state besides drawing their attention to particular problems of local industries. The Board is an apex advisory body. The activities of the NSIC and the SISIs are controlled by this Board.

On the basis of the recommendations of the Ford Foundation Team on SSIs, The Central Small Industries Organisation (CSIO) was established in 1954 at the national level with the Development Commissioner, Small Scale Industries in its head, under the Ministry of Commerce and Industry, Government of India. Later on, this was called the Small Scale Industries Development Organisation (SSIDO) and now the Small Industries Development Organisations (SIDO). It is an apex body and a nodal agency for formulating, co-ordinating and monitoring the policies and programmes for promotion and development of SSIs. The main
functions of the SIDO can be grouped into three categories namely co-ordination, industrial development and industrial extension services.

The SIDO co-ordinates the work relating to the development of small industries on an All India basis by:
- evolving an All India policy and programme for the development of SSIs;
- co-ordinating the policies and programmes of various state governments;
- maintaining a close liaison with the Central Ministries, Planning Commission, State Governments;
- co-ordinating the programme for development of large and small scale industries; and
- co-ordinating the programme for the development of industrial estates and ancillaries all over the country.

The second important function of the SIDO is to suggest a pattern of small industries development for entire country. The SIDO is engaged extensively in the implementation of several programmes of development such as:
- modernisation of selected small industries with the objective of improving their productivity and competitive powers, especially in export markets;
- dispersal of industries to backward areas and intensify the efforts by offering attractive incentives and concessions; and
- export promotion of the items produced in small sector by maintaining close liaison with various export promotion councils and organisations like Trade Development Authority, Ministry of Commerce, State Trading Corporation etc.

For the development of ancillary industries, the SIDO establishes liaison with the public and private undertakings and the Directorate General of Technical Development, etc., to ensure proper utilisation of the existing production capacity in the small sector. It is also implementing Entrepreneurial Development Programme, Rural Industries Programme, Rural Artisans Programme, etc.

The third important function of SIDO is providing industrial extension services. It provides comprehensive extension services including technical advisory service, management consultancy service, economic service, marketing assistance and provision of training facilities to help strength. These services are provided through a net work of Small Industries Services Institutes and Branch Institutes, Extension Centres, Regional Testing Centres, Tool Rooms/Tool
Design Institutes Product-cum-process Development Centre, Central Foot Wear Training Centres and Production Centres.

SIDO through its network of Small Industry Service Institute and Extension Centres throughout India provides assistance for promotion of exports of SSIs products. The activities in this regard include dissemination of information about foreign markets, consultancy services in matters of export procedures and undertaking production of items, having export potential, organising trading programme on export marketing, maintaining liaison with concerned export development agencies, organising meetings and seminars on export promotion etc. The training programmes, seminars and workshop are organised in packaging techniques for the benefit of SSIs. Small Industries Service Institutes organised eighteen programmes on packaging for exports in collaboration with the Indian Institute of Packaging, Bombay during the year 1988-89. A quarterly Small Industry Export Bulletin is brought out by SIDO for the benefits of exporters.

During exhibitions SIDO provides different facilities to the small scale entrepreneurs without any charge, such as space in exhibition pavilion, sea freight, handling and clearing facilities etc.
On the basis of recommendations of the Ford Foundation Team on SSIs, the National Small Industries Corporation Ltd., a Government of India undertaking, was set up in February, 1955. The Corporation was an autonomous body under the Indian Companies Act. The Board of Directors of the Corporation included representatives of Ministries of Industries and Finance, and representatives of the small scale industrial sector. Initially, the Corporation had four subsidiary Corporations at Delhi, Bombay, Calcutta and Madras. But in 1961 all these subsidiary Corporations have been amalgamated with the main Corporation and at present it had four regional offices at Delhi, Bombay, Madras and Calcutta.

The National Small Industries Corporation is playing a vital role in the development of small industries. The main functions of the Corporation are:
- to provide small scale industries with modern machines on a hire purchase basis;
- to assist small enterprises to participate in the stores purchase programme of the central government;
- developing small industries as ancillary units to large scale industries;
- arranging marketing of small industries products by starting Emporia and Sales Depots and promoting their export;
- distribution of basic raw materials through their raw material depots;
- import and distribution of components and parts to actual small users in specific industries; and
- construction of industrial estates and the establishment of running of proto-type production-cum-training centres.

The Corporation has three divisions viz., marketing division, hire purchase division, and a division looking after the three proto-type production-cum-training centres.

The Marketing Division embraces two major programmes; namely Government Store Purchase Programme; and Marketing Assistance Programme.

The rationale of this programme launched by NSIC lies in the fact that the Government of India is the largest single purchaser in the country and that the directioning of their purchase in favour of small industries gives an extra ordinary boost to the marketing of the latters' products. This programme of NSIC was started in 1957-58 and has grown into one of its major activities over the years.

The Director General, Supply and Disposal (DGS and D) purchases the bulk of the requirements of the Government of India, although specialised items are purchased by the
corresponding wings of the railways, defence, and communications ministers. In many states, central purchasing organisations have been set up to do a similar job. Public sector undertakings normally do the purchase themselves but sometimes avail on the services of these organisations.

For assisting SSIs, under this programme, the Government, at present, 409 items have been exclusively reserved for purchase from small scale units. Besides this, 13 items have been identified for government purchase upto 75 per cent of requirements and 28 items upto 50 per cent of requirements.¹ In addition to it, the policy of price preference is followed in respect of products where offers are received from both small and large units. In such cases, other things being equal, the price given to a small unit may exceed not more than 15 per cent over that of a large unit. The exact preference is to be decided for each product depending on the differential advantage enjoyed by a large unit, but in practice 15 per cent is followed in every case.

The Corporation renders assistance to small units to secure contracts from Central Government Store Purchasing

Agencies. In government purchase programme small units are provided with the facilities like: free application forms for registration and renewal, registration facilities free of charge, no insistence on security deposits from the units registered with the NSIC.

The policy of purchase and price preference shall be made applicable also to public sector undertakings and a similar policy will be recommended for adoption to the state governments. For effective, this policy will be monitored constantly by a high power committee consisting of representatives of several departments to ensure that it is properly implemented and to solve any operational difficulties that may arise in its implementation.

Initially, the Corporation rendered useful service by marketing small industries products through its wholesale depots and mobile vans. Marketing assistance was meant to be only an educative and developmental measure supplemented by such services as designing, standardisation of quality and introducing measures that would gradually reorient the modes of marketing. The NSIC formulated various schemes to assist entrepreneurs in marketing their products. Recently, it has started to identify demand for labour intensive products in abroad. The Corporation looks export business
in its name and farms the orders to small sector units and takes entire responsibility for the execution of the contract.

The Development Commissioner, Small Scale Industries, had initiated a programme of manpower development for the small scale sector on an experimental basis in 1956 under which part time courses in business management were introduced for the proprietors and senior managerial personnel of SSIs, initially in the Small Scale Industries Service Institutes at Bombay, Madras, Calcutta and New Delhi. The scheme proved useful and was gradually extended to other institutes.

In 1956, the Working Group on SSIs for the third five year plan, recommended the establishment of a Central Industrial Extension Training Centre (CIETC) where all the extension personnel could be given training for 8 to 12 weeks so that they could extend their technical and management knowledge efficiently to small entrepreneurs. On the basis of this recommendation the Central Extension Training Institute was formed in 1960 at New Delhi as a department of the Central Government under the Ministry of Industry and Commerce. It was transferred to Hyderabad in 1962. Later, the government decided to administer the Institute through an autonomous body: accordingly a society
society entitled 'Small Industry Extension Training Institute' was registered in 1962. The main objectives of the Institutes are:

- to provide, supervise and plan training for persons engaged in the small industry development and management activities;
- to undertake, sponsor, or plan research programmes relating to the development of small industry; and
- to enter into and execute technical assistance agreements with international or other organisations for the provision of services for the development of small industry.

The IDEMI, Bombay was set up by the Government of India in 1969 with United Nations Development Programme (UNDP) assistance, to extend a package of services to the instrument industry, especially in the small sector. The heads of the electrical measuring, electronic and process control instrument manufacturing units in respect of design and development, technical consultancy, calibration and testing, tool design and fabrication and training have been catered to effectively by the Institute. As a result of the Institute activities, quality has been maintained or improved, productivity has increased, new products have been introduced and new entrepreneurs have entered the instrument industry. The Institute's Economic and Statistics section
collects vital information pertaining to production of instruments and prepares analytical report based thereon. It also undertakes market studies to assess the potential of selected instruments to help prospective entrepreneurs.

A CITD was started at Hyderabad as a government department in 1968 under the Small Industries Development Organisation with the assistance of UNDP and International Labour Organisation (ILO) as the executing agency to serve the needs of small industries by training technical personnel in designing and marketing jigs, fixtures, tools, dies and molds and providing advising and consultancy services to the industry in designing and development of tools for various processes.

The NIESBUD was established in 1983 by the Ministry of Industry, Government of India, as an apex body for co-ordinating and overseeing the activities of various institutions/agencies engaged in entrepreneurship development, particularly in the area of small industry and small business. It organises and conducts training programmes for motivators, trainers and entrepreneurs; co-ordinates the training activities of various institutes and agencies in the country; prepares model syllabi of training for various groups of entrepreneurs in the country, holds examinations
and tests and confer certificate and diplomas to the trainee. It also provides forums for interaction and exchange of experience helpful in policy formulation and modification at various levels.

The Institute's enterprise management/continuing education programme is worth mentioning for increasing the managerial efficiency of existing entrepreneurs. Particularly of the first generation NIESBUD organises a number of training programmes for entrepreneurs and personnel serving in small enterprises. Its activities include also financial planning and control for SSI enterprises; planning, growth and development through expansion, diversification and modernisation of small enterprises; quality improvement through computer use in small enterprise; office management and business communication for SSIs; working capital assessment and management enhancing productivity and improving quality information on industrial and commercial laws for small enterprises; export markets etc.

Small Industry is a state subject under the Indian Constitution and, therefore, the primary responsibility for all executive actions in regard to the development of small industries and implementation of the programme of assistance
is that of the state governments. The work relating to the development of industries in general and small industries in particular in the state is looked after by the Directorate of Industries in each state, in Tamilnadu it is done by the Directorate of Industries and Commerce.

The Department of Industries and Commerce is the apex organisation concerned with promotion of industries in the State, Tamilnadu. It functions as one of the state government departments. The Government of Tamilnadu started District Industries Centres in each revenue district by converting district offices of the Department of Industries and Commerce with effect from July 1, 1978 to fulfill the requirements of the National Industrial Policy of 1977.

Registration for the small scale units is optional. However, if a unit wants to get the facilities from government agencies, it is necessary for the unit to get the industry registered with the Directorate. The benefit of policy directions formulated at the national level as well as at the state level, is taken by the Directorate of Industries and Commerce right up to the doorstep of the entrepreneurs.

The State Director runs various training schemes, production schemes and common facilities schemes. They also provide facilities of developed industrial land and built-up
factory sheds in Industrial Estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial co-operatives. The functions are varied and have grown with the development and diversification of the small industries sector. At the district level, the work is looked after by the General Manager, District industries Centres, and at the block level, there are extension officers for industries to act as liaison between the district industries centre at the field.

Setting up District Industries Centres (DICs) in a uniform pattern throughout the country was an important decision taken by the Government of India. Since the announcement of the National Industrial Policy on December 23, 1977. The main thrust of the Industrial Policy statement of 1977 was on the effective promotion of cottage and small industries widely dispersed in rural areas and small towns. The statement made explicit that whatever could be produced in the small and cottage sectors should not be produced in the large scale sector. The statement pointed out the need for a single organisation at the district level for the effective development of small and cottage industries. The Government of India launched the DICs Programme on 1st May 1978 to provide a focal point for the promotion of small, tiny, village and cottage industries, and to offer all the
the services and supports to the decentralised industries sector under a single roof at the pre-investment and post-investment states.

A DIC is an institution at the district level which provides all the services and facilities to entrepreneurs at one place so that they may set up small and village industries. These services and facilities include the identification of a suitable scheme, the preparation of a feasibility report; arrangements for the supply of machinery and equipment, provision of raw materials, credit facilities and input for marketing and extension services, quality control, research and entrepreneurial training. The DIC would also ensure that small industries continue to be viable. For this purpose, it provides all the facilities to the entrepreneurs under one roof at the district and sub district levels.

Each DIC is headed by a General Manager, who is assisted by seven functional managers and other supporting staff. The seven functional managers deal with; Economic Investigation, Machinery and Equipment, Research, Extension and Training, Raw Materials, Credit, Marketing and Cottage Industries.
The DICs have a very close link with other state level organisations like SFC and State Small Industries Corporation, etc. The State Level Organisation works in close co-operation with the DIC and provide all necessary assistance to the DIC so that all the inputs of these organisations are also made available to the entrepreneurs under DIC.

The raw material division of SIDCO procures and distributes scarce raw material like iron and steel, paraffin wax, coke, coal, etc. to the registered SSI units in the state through the raw material depots in each district.

The quantity of various raw materials supplied through various depots amounts to 18062 tonnes in 1994-95 benefiting about 1714 SSI units.¹

The production division having 12 production and services units producing wooden furniture, survey instrument and similar other items is running on loss. Lack of working capital facility, obsolete machinery, lack of marketing facilities are the main reasons for the loss incurred by the

division. The total value of production and the total income earned by the Corporation during 1994-95 were Rs.34.20 crores and Rs.33.46 crores respectively.\textsuperscript{1}

SIDCO is having 17 conventional industrial estates and 36 mini industrial estates, during 1993-94. All 527 sheds in the conventional industrial estates are in occupation by 323 units. Out of 393 sheds in mini industrial estates, 381 were occupied by 337 units.\textsuperscript{2} The problem faced by this division is that the revenue received from these estates is inadequate to meet even the maintenance charges of these estates.

This division mainly attends to the rehabilitation of SSI units under the SIDCO - IRBI scheme and the recovery of dues from the entrepreneurs who had received margin money and rehabilitation loans. Total amount of arrears collected during 1993-94 from the entrepreneurs who had availed rehabilitation/margin money loan by enforcing revenue recovery action and other methods was Rs.4.09 lakhs and Rs.10.24 lakhs respectively. More than 650 units have been extended financial assistance by the Corporation during the year.\textsuperscript{3}

\textsuperscript{1} Ibid., p.92.


\textsuperscript{3} Ibid., p.104.
The marketing division rendered marketing assistance to registered SSI units through its sales emporia. A total number of 125 SSI units were benefited by the assistance of this division and products worth Rs.176 lakhs could be marketed during 1994-95.¹

The construction division of SIDCO is engaged in civil works. During 1993-94, this division has executed civil works amounting to Rs.225 lakhs during 1993-94. This division also takes civil works of other public sector undertakings.² The centage charges by SIDCO are comparatively less and has been affecting adversely the working of the division.

**Tamilnadu Industrial and Technical Consultancy Organisation**

The first organisation of its types, TITCO, established in 1972, had to determine the precise areas of its activities and evolve its own procedures of operation derived from its own experience. TITCO is a professional consultancy organisation established by the IDBI and co-sponsored by national and state level financial institutions, banks and government of Tamilnadu for promoting the grants


² Ibid.
small, medium and large scale industries in Tamilnadu through its operations like preparation of and appraisal of project reports, rehabilitation and diagnostic studies, monitoring of projects implementation, modernisation of industry engineering and other consultancy services.

The project consultancy division completed 67 project reports during the year 1994-95. During this year market surveys for about 50 products have been carried out on an all India as well as regional basis.¹ In the area of special studies TITCO has undertaken 18 special studies during the year, out of which eight studies have been completed by TITCO on all the districts on behalf of the DIC, Government of Tamilnadu. TITCo started a new service called TITCO Information Management Systems to help entrepreneurs and institutions to update their data base in industry, technology etc.

The SISI for Tamilnadu came into existence in 1956 at Madras as a field agency of the National Small Industries Development Organisation (NSIDO). The main objective of the SISI is to provide techno economic managerial consultancy service to the existing and prospective small scale

¹ Ibid., p.93.
industrial units located in Tamilnadu. The promotional and developmental activities are implemented under the overall guidelines issued by the Government of India as per an Action Plan chalked out for each year.

The Institute works on close co-operation with the Directorate of Industries and Commerce, SIDCO, Commercial banks and other agencies connected with small industries development.

The Institute imparts regular training courses in Machine shop practices, electronic and gas welding, footwear and leather goods manufacture and fruits and vegetable preservation. Other activities include implant studies, diagnostic studies for rehabilitation of sick units, modernisation studies, technology upgradation, quality control, energy conservation specialised training programmes on export financial management etc.

The Institute also provides effective assistance to the DICs in various matters like capacity assessment for allotment of raw materials, implant and diagnostic studies for modernisation, technology upgradation, government purchase programme and supply of machinery through NSIC. During 1994-95 it has also conducted training programmes under Prime Minister's Rozgar Yojana (PMRY) scheme and
effectively participated in the Intensive Campaign and other seminars conducted by DICs and state industries department. Preferential treatment to SC/ST/Women entrepreneurs were offered by the SISI in most of the services rendered by it during 1994-95.

The various technical divisions of the Institute provided consultancy services which include selection of the product, plant and machinery, plant lay-out, appropriate technology, raw materials, process know-how, preparation of project reports and feasibility reports and other aspects of production. The information on industry wise prospects reports, feasibility studies, market surveys and aspects on suitable manufacturing lines are offered to needy entrepreneurs. As part of the overall industrial extension services, the Institute provides management consultancy covering areas like financial management, production management, marketing management, inventory control, quality control, financial analysis, working capital management, labour law, Factories Act, Sales Tax Act etc. The services offered by the SISI are grouped into five categories namely technical, managerial, economic and statistical, assistance to start new industries and others. The consultancy services offered by the Institute from 1990-91 to 1993-94 are given in the table 8.
## TABLE 8
CONSLUTANCY SERVICES OFFERED BY SMALL INDUSTRIES SERVICE INSTITUTE, TAMILNADU

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<td>Assistance to start new industries</td>
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<td>(23.76)</td>
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</tbody>
</table>

Source: Compiled from the Economic Reviews, State Planning Board, Government of Tamilnadu.
Table 8 indicated that from 1991-92 onwards more than 50 per cent of the consultancy services were purely technical in nature. The remaining cases were related to dissemination of information relating to scope infrastructure facilities, financial availability market potential and availability of various incentives and facilities.

NRDC of India is a Government of India enterprise established in December 1953 as a non profit organisation under the Companies Act. The main objective of the Corporation is to develop and explicit indigenous know-how, inventions, patents, and processes emanating from all types of research and development institutions in the country. Since it is a service organisation it has been constantly endeavouring to encourage entrepreneurs in the country and to promote utilisation of results of indigenous research and development with a view to accelerating the national goal of technological and economic self reliance. The Corporation is engaged in the development and promotion of appropriate technologies, and in earning the same to rural areas for improving the quality of life of the weaker sections of the population. Realising that, economic independence would accelerate the improvement in the status
of women, NRDC is also promoting technologies which are appropriate for women.

The IDBI is a specialised institution set up since 1947 to provide long term finance to industry. The IDBI which is now the apex institution providing term finance was a wholly owned subsidiary of the RBI till 1976. In 1986 IDBI was delinked from the RBI and was taken over by the Government of India.

The IDBI extends assistance to the small scale industries indirectly through state level institutions and commercial banks by way of refinance on industrial loans. The IDBI launched the National Equity Fund Scheme in 1988 for providing support in the nature of equity to tiny and small scale industrial units engaged in manufacturing cost not exceeding Rs.5 lakhs. The scheme was administered by IDBI through nationalised banks. IDBI introduces the single window scheme for grant of term loans and working capital assistance through tiny and small scale units. Finally, IDBI set up a voluntary Executive Corps Cell (VECC) to utilise the services of experienced professionals for counselling small units, tiny and cottage units for providing consultancy support in specific areas.

The Government of India set up SIDBI under SIDBI Act, 1989 as a wholly owned subsidiary of IDBI. SIDBI
started functioning from April 1990 and has taken over the responsibility of administering small industries development Fund and National Equity Fund which were formerly administered by IDBI.

The SIDBI was set up by the Government of India under a special Act of Parliament in April 1990 as a wholly owned subsidiary of IDBI with the intention to ensure largest flow of financial assistance to the small scale sector.

Now SIDBI is the principal financial institution for promotion, financing and development of small scale industries in the country. It co-ordinates the functions of existing institutions engaged in similar activities. Accordingly, SIDBI has taken over the responsibility of administering Small Industries Development Fund and National Equity Fund which were earlier administered by IDBI.

While extending financial assistance to the small units scattered over the country, SIDBI makes use of the existing banking and financial institutions, such as the commercial banks, co-operative banks and Regional Rural Banks (RRBs), SFCs and SIDCOs which have a vast net work of branches all over the country.
The financial assistance provided by SIDBI includes financial support to State Small Industries Development Corporations for providing scarce raw materials to and marketing the end products of industrial units in the small scale sector and also leasing, hire purchase and marketing support to industrial units in the small scale sector. SIDBI also initiated steps for technological upgradation and modernisation of existing units. It is expanding the channels for marketing of products of SSI sector in internal and international market. It is promoting in a big way employment oriented industries especially in semi urban areas to create more employment opportunities and thereby checking migration of rural population to urban and cosmopolitan areas.

The Government of India set up the IFCI in July 1948 under a special Act. The IDBI, scheduled banks, insurance companies, investment trusts and co-operative banks are the share holders of IFCI. The union government has granted the repayment of capital and the payment of a minimum annual dividend. The Corporation is authorised to issue bonds and debentures in the open market, to borrow foreign currency from the World Bank and other organisations, accept deposits from the public and also borrow from the RBI.
The important functions of the corporation include grants, loans and advances to industrial concerns and subscribes to the debentures floated by them, guarantees loans raised by the industrial concerns in the capital market; and underwrites the issue of stocks, shares, bonds and debentures of industrial concerns provided such stocks, shares etc. are disposed by the Corporation within a period of seven years from the time of acquisition.

The scope of assistance provided by the IFCI is limited since it deals with large public limited companies and co-operative societies which are engaged in manufacturing, mining, shipping and generation and distribution of electricity. But there are both small scale and medium size industries which require financial assistance and for this purpose the state government desired to set up State Financial Corporations. The Government of India passed the State Financial Corporation Act in 1951 and made it applicable to all the States. According to the Tamilnadu Industrial Investment Corporation was constituted in December 1953 with an authorised capital of Rs.2 crores.

The Objectives and Functions

- To provide financial assistance to small and medium scale industrial units on proper securities, and thus to accelerate and support the industrialisation process in the state.
- To encourage potential entrepreneurs to start new units with the financial support extended by the Corporation.
- To encourage the existing units to expand their production through the Corporation's financial support, and thus help them to exploit markets for the products and optimise the return on capital.
- To encourage the existing industrial units diversify their products so as to avoid product obsolescence and loss of market.
- To encourage new entrepreneurs to promote companies and raise capital by lending the name of the Corporation as underwriters.
- To act as liaison between the IDBI and the local entrepreneurs, thereby enabling the latter to get finance at reduced rates of interest.
- To act as agents between the Government of India and the entrepreneurs in respect of disbursement of interest subsidy to small scale units.

The management of the Corporation is in the hands of a Board of Directors consisting of nominees of the Government of Tamilnadu, the IDBI, the RBI, scheduled banks and insurance companies. The head office of the Corporation is at Madras. It renders financial assistance only to industrial concerns situated in Tamilnadu State.
State Industrial Development Corporations (SIDCs) wholly owned by the State Government have been set up under the Companies Act 1956 as autonomous corporations under the specific State Acts to promote and provide financial assistance and other facilities for the rapid industrialisation of the respective states.

The Tamilnadu State Industrial Development Corporation (TSIDC) was set up as a wholly owned company of the Government of Tamilnadu in July 1961, with an authorised capital of Rs.5 crores.

The main objective of the Corporation is to organise, stimulate and assist industrial development in Tamilnadu. It combines the functions of promoter and financier but does not cover any marketing assistance.

The programme for the development of small scale industries have laid great emphasis on the training of industrial, labour and modernisation of the techniques of production by introducing modern machines. A special team with this objective, recommended that prototype production-cum-training centres could be set up by NSIC with foreign collaborations having the following objectives:
- to design, develop and produce prototype types of machines and pass them on to the small industries for manufacture on commercial lines;
- to provide intensive training facilities for skilled workers and shop-floor supervising personnel drawn from the small scale units spread all over the country; and
- to provide common facilities and technical services to small scale production techniques, process etc.

The Corporation is running proto-type production-cum-training centres at Rajkot, Okhla, Howrah and Madras. The Corporation also distribute the scarce raw materials to small entrepreneurs to a limited extent.

From the foregoing discussion, it was noticed that the Central and State Governments have recognised the SSI sector as a priority sector and been according a number of incentives and facilities to the development of small industries. These relate to the areas of fiscal concessions, credit allocations and instruments of preferential and protection.

In this part, incentives and facilities provided by the Government of India have been indicated in brief.

The raw materials required by small industries have to be procured at moderate rates and in moderate quantities. The entrepreneurs alone may not be able to do this job because they cannot face the stiff competition in the market. Big industrialists, brokers, private stockists, auctioneers and the control in the printing and quantity of
raw materials required. To ensure easy availability of raw materials which are scarce and controlled, the government has made arrangements to make them available to them at reasonable and fixed price through the channels like Small Industries Development Corporation, Directorate of Industries etc. Raw materials supplies are distributed through the depots of State Small Industries Corporation and District Industries Centre.

A small entrepreneur is not able to purchase whatever he requires to set up an industry for his own monetary resources. He has to depend upon the government assistance in various ways. He faces problem of purchasing machinery by himself. This problem has been solved by the government through the auspices of NSIC, which helps small entrepreneurs to purchase and procure machinery on hire purchase scheme of NSIC.

Training of entrepreneurs has been one of the important activities of the SIDO and its allied agencies. Training facilities to entrepreneurs to improve their technical, managerial and marketing skills are offered by the SISIs, SIET Institute, NSIC and specialised training institutes set up at the centre by the state directorates of industries.
The government has focussed credit policy for small scale industries. The components of the credit policies, as at present, are stated below:

**Priority Sector Lending**

Credit flow to the small scale sector is ensured as part of the priority sector lending by banks.

**Institutional Arrangements**

SIDBI is the apex refinance bank. Term loans are provided by SFCs, Scheduled Banks, SIDCs. Credit lending in direct/indirect forms is also undertaken to some extent by NABARD, NSIC, etc. RBI has also asked banks to set up specialised branches for the small scale industries in 85k selected districts where small scale units have sizable concentration.

**Normative Credit**

RBI has issued guidelines to the banks to work out the normative working capital requirement of SSI units, at the rate of 20 per cent of the output, subject to a credit ceiling of Rs. One crore.¹

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Credit Flow

While there has been steady increase in the flow of institutional finance to SSIs during the last two decades, still inadequacy of credit is continuing cause of concern.

The present interest rates structure is determined on the principle of minimum lending rates. In case of working capital loans, the present rate of interest is 12 per cent per annum for loan upto Rs.25000; 13.5 per cent (fixed) per annum for loan exceeding Rs.25000 but upto Rs.2 lakhs and 14 per cent (SBI primary lending rate) per annum for loan over Rs.2 lakhs.\(^1\) For term loans, the loan amount upto Rs.25000 rate of interest per annum is 12 per cent but interest on refinance is 9 per cent per annum, loan over Rs.25000 but upto Rs.2,00,000 rate of interest on loan is 13.5 per cent (fixed) but rate of interest on refinance and loan amount exceeding Rs.2,00,000 at the rate of interest on loan and rate of interest on refinance are to be fixed by IDBI.

The scheme envisages sanction and disbursement of working capital and term loan together from a single agency. Small scale units including tiny units, whose aggregate cost

\(^1\) Ibid.
of project (excluding working capital margin) and total working capital requirement is worth Rs.50 lakhs are eligible for coverage under single window scheme.

Under the scheme, small scale units are given equity type seed capital assistance to meet the margin money requirements of small units. Servicing is charged at a nominal rate of one per cent. The NEFs was set up with a corpus of Rs.10 crores and is administered by SIDBI. The scope of the scheme includes projects with outlays upto Rs.10 lakhs and the quantum of assistance available is upto Rs.1.5 lakhs.

With liberalisation, large and small industries have to go hand in hand. Industries cannot exist without interdependence and organic linkages. To encourage technology upgradation and capital flows into the small sectors a provision has been made to allow equity investment in small scale industry by other industrial undertakings to the extent of 24 per cent.

Excise duty concessions have been given to the small scale industries in what is called the General Excise Duty Exception Scheme for small industries. This is to enable the small scale industries to compete on favourable terms with their counterparts in the large and medium sector.
The scheme is applicable to SSIs with annual turnover limit of upto Rs. 200 lakhs. As per 1994-95 budget unregistered units have been equated with registered units with regard to excise exception/concessions.

For bringing in raw materials and despatching finished goods; the government provides transport subsidy to the extent of 75 per cent of transport costs between the location of the unit and specified rail head/port in Andaman Nicobar Island, Lakshadweep, Darjeeling district in West Bengal, Himachal Pradesh, Jammu and Kashmir, Assam, Meghalaya, Nagaland, Tripura, Manipur, Mizoram, Arunachal Pradesh, Sikkim and hilly areas of Uttar Pradesh. The subsidy has been enhanced to 90 per cent for units on North Eastern Region, Andaman Nicobar Islands, Lakshadweep, Sikkim and Jammu and Kashmir. Some subsidy is available even for inter state movement of finished goods within the region.

Trade centres have been established by the Government of India marketing of small industries products. The Centre collect and disseminate information relating to all types of SSIs in the region, giving full details of products, capacities and prices. They provide library-cum-documentation service and function as agencies for contracts between small scale units and prospective buyers in the
country and abroad. They also assist the small scale units in the maintenance of quality control and the adoption of standardisation.

The success of small industries depends almost solely upon the ability and efficiency to market its products. On their own, the entrepreneurs may face problems in selling their products, hence, they deserve some help from the government. Therefore, the government offered marketing assistance to them for the development of small industries.

The Directorate General of Supply and Disposal (DGS & D) undertakes purchases from government offices. Apart from the DGS & D, there are other departments, which have to purchase their goods from the small industries compulsory. These are Indian Railways, Post and Telegraph Department, Defence Organisations, Canteen Stores, State Governments etc.

NSIC verifies the competence of the units to execute government orders and enlists them for participation in Government Stores Purchase Programme. To provide encouragement and boosting to entrepreneurs the government have reserved certain items for exclusive purchase from the SSIs. This steps has been necessitated to provide supportive protection from the big enterprises.
To ensure a secure base for India's export, government has initiated various measures that would: strengthen export production; encourage capacity expansion in export oriented industries; augment bargaining power of our exporting community; encourage entry of our products in the new markets of both developed and developing countries; and improve our inherent competitive strength through imparting greater relative price stability of Indian economy. One of the most important features of government's measures has been to provide a stable base, uncertainties are removed and exporters are encouraged to take a long term view about international marketing. Another noteworthy aspect of these measures has been to make exports promotion truly a national effort by involving various agencies of central government, public sector organisation, state government, financial institutions and other national agencies engaged in different types of economic activities.

Trade exhibitions are held abroad and export worthy SSI units are given opportunity and assistance in exhibiting the selected items in these exhibitions. SIDO provides assistance towards handling, clearing, insurance, publicity, freight etc. without recovering this expenditure from the participants. The trade enquiries generated in these
exhibitions are widely circulated. The trade delegations and sales-cum-study teams are sponsored from the small scale sector under the MDA scheme of the Ministry of Commerce which provides reimbursement of 60 per cent of the expenditure from the funds on admissible items of expenditure. In addition to participation in external exhibition/commodity fairs held in various parts of the country through the field or organisations in collaboration with other concerned organisations.

The import export policy allows various export import entitlements to exporting units under the various schemes covered under the policy. These schemes primarily relate to advance licensing scheme, imports under Export Promotion Credit Guarantee (EPCG), scheme of 100 per cent Export Oriented Units (EOUs), setting up of units in Free Trade Zones (FTZs) / Export Processing Zones (EPZs). The proposals received from SSI units are considered and recommended for granting various licences/entitlements to the importers to help them to meet their requirements of materials etc. Imports under some of the schemes are allowed without payment of customs duty or at concessional rate of customs duty.
The import export policy provides for doubts weightage on exports from small scale units for recognition as Export/Trading Houses.

The assistance programmes rendered to the exporter in the small scale sector are explained below:

Trained officers are posted at each of the small industries institutes to render advice and guidance to the small exporter. They explain the various procedures to be followed in making exports to foreign markets. Market intelligence on likely overseas demands are collected and passed on to the small exporters. Industrial Associations of small units are to be assisted to set up permanent display centres at Bombay and Delhi in the first instance and later extended to other major towns. Delegation of small industrialists with special assistance are to be sent abroad for exploring export possibilities of the products made by these firms.

This is the scheme introduced by State Trading Corporation (STC) to develop exports from small scale sector. Under the scheme bulk orders are obtained by the STC through their agencies and forwarded to the units for final execution. Financial assistance is offered to such units as a loan for six months to purchase raw materials, and other expenditure to meet the order. The STC also makes
pre-shipment inspection to ensure adequate quality of the goods which are hypothicated to STC. Immediately after shipment, 95 per cent of the invoice value is related to the exports to enable him to carry on his regular five per cent of the invoice value is related after receipt of remittances from overseas buyers. Many of the commercial banks are offering similar facilities to small exporters.

It is a subsidiary of the STC and offers export credit insurance to exporter and pre-credit guarantees to bankers to enable them to finance export transactions. The insurance is effected in term of a policy issued to the exporter. If the exporter does not receive payment in respect of any shipment within a period of 4-6 months from the due date, he can claim from the corporation 90 per cent of his loss if the non payment is due to insolvency or difficulty of the buyer and 85 per cent, if it is caused by any other risk insured which do not cover inferior goods supplied or those normally covered by general insurance. This coverage afforded by the ECGC enables the exporter to obtain bank finance more easily since ECGC policies are accepted by the banks as collaterals.

The following types of financial guarantees are provided by ECGC:
- Advances made by bank at pre-shipment stage to enable the exporter to manufacture goods for export.
- Advances made by way of discounting export bills.
- Issues guarantees for advances against cash incentives and draw-back duties to which the exporter is eligible after making the shipment.
- Guarantee issued to protect the banks from losses in respect of performance and other guarantees issued by the banks on behalf of the exporter.

It is subsidiary of STC established to undertake direct exports including sales through its shops and emporia abroad and also assists its business associates to increase exports. The Corporation also undertakes promotional and developmental measures for the general benefits of the exports of handlooms and handicraft goods.

Export promotion councils were set up to create export consciousness, collects and disseminate statistical information and market intelligence, participate in exhibitions and fairs, undertake promotional activities, send delegations abroad, help in the settlement of industrial disputes and implement export assistance programmes. All direct exporters of commodities, large as well as small, were to get themselves registered with these
export promotion councils. For becoming a member of the council an entrepreneur was to apply through General Manager, DICs who recommended the application only if the unit already had an export order in hand.

PRESENT POSITION OF SSI SECTOR IN TAMILNADU

The industrial policy statement, 1991, of Government of Tamilnadu proposed various measures for promoting industrial development. Investment subsidies, subsidy for project reports, subsidy of technical know-how, subsidy for registration with Export Promotion Councils/Indian Standards Institutions (ISI), tax and duty concessions, investment promotion efforts, simplification of procedures for starting new units, provision of better infrastructure facilities, rehabilitation of sick units, promotion of traditional industries, etc. are the major measures adopted by the state, in this regard.

For new industrial units beginning commercial production after September 22, 1991, the rate of investment subsidy, in general, will be 15 per cent of fixed capital investment with a ceiling of Rs.15 lakhs. But for thrust industries viz., electronics (including software development), rubber processing, food processing, light engineering drugs and pharmaceuticals, leather and industries based on clay and silica, garment manufacturing and other industries
to be notified from time to time, investment subsidy will be 15 per cent of the total cost of installation subject to a ceiling of Rs.20 lakhs. For new generators for captive power, investment subsidy will be 15 per cent of the total cost of installation subject to a limit of Rs.5 lakhs. In the case of existing units undertaking expansion, diversification and modernisation will also be eligible for investment subsidy at the rates stated above subject to some conditions.

The State Government provides 50 per cent subsidy subject to a maximum of Rs.2,000 towards costs of preparation of project reports. The project reports are to be prepared from approved consultants. For sick SSI units 100 per cent subsidy is available subject to a maximum of Rs.2000.¹

¹00 per cent subsidy for the purchase of know-how from NRDC and 50 per cent in case of purchase of know-how from other sources subject to a maximum of Rs.10,000. Subsidy of Rs.50 per cent of cost of testing equipments to a

maximum of Rs.25,000 for setting up of quality control laboratories for ISI and other recognised standards".¹

Tax and duty concessions proposed by the State Government are listed below:

- New units will be exempted from all connected state taxes for the first seven years from the date of commencement of commercial production.

- So far as sales tax and turnover tax are concerned, the exemption will be available for seven years from the date of commencement of commercial production subject to ceiling of 100 per cent of fixed capital investment.

- New units in the SSI have the option to deposit the tax with government in the "Tax for Growth Fund" announced.

- Existing industrial units undertaking expansion or modernisation on or after September 23, 1991 will also have the option mentioned in second and third above, in respect of the additional capacity created subject to a ceiling of 100 per cent of the additional fixed capital investment made for such expansion or modernisation. Exemption for units undertaking diversification will be decided on a case to case basis taking into account the quantum of additional investment and creation of additional production capacity.

¹ Ibid., pp.71-72
The Government of Tamilnadu has started implementing certain measures for investment promotion in the state. A multipurpose marketing campaign has been initiated, to generate interest in Tamilnadu as an ideal investment location for industrial entrepreneurs from India and abroad. This has been undertaken with the support and participation of the major public and private sector units in the state, various association for industries and major trade unions.

Simplification procedures for starting new industrial units have begun. A new "Green Channel Scheme" is being introduced for expediting clearance. All necessary licence and clearance bars have been abolished after thorough study of the existing laws, rules and regulations. A unified format for all applications is being prepared and the industrialists are required to submit their applications in that format to the Green Channel Centres to be established in the Tamilnadu State Industrial Development Corporation, to the District Industries Centres and to the officers-in-charge of industrial growth centres.

The new industrial policy emphasised the importance of rehabilitation of sick units. For extending reliefs to sick units the government has accepted the model package of reliefs to be extended to sick units prepared by
the Board for Industrial and Financial Reconstruction. Rehabilitation of sick units will be regularly reviewed by the industrial development committee at the state and district levels.

The development strategy adopted by the State Government on the industrial front following the Industrial Policy Statement of 1991 helped to set a strong foundation for the systematic growth of the industrial sector in Tamilnadu. The major policy being followed in attracting more private investment in the industrial sector in the state by providing infrastructure facilities and promotional support by the government and its agencies helped to mobilise sizable investment during the last few years. It is estimated that investment of the order of Rs.3000crores\(^1\) could be attracted into the medium and large industries sector since the announcement of the industrial policy in 1991. The investment in the small scale sector during this period was Rs.886 crores\(^2\). Projects involving foreign investment of Rs.3300 crores\(^3\) could be attracted and those


\(^2\) Ibid.

\(^3\) Ibid.
proposals were at different stages of processing. It is expected that the industrial sector in the state would achieve new lights provided the present tempo in the implementation of schemes aimed at improving the basic facilities required for starting industries in Tamilnadu is maintained.

The index of industrial production in the state, as per the latest data available has been increased by 22.08 per cent in 1993-94 to 265.30 from the level of 217.31 in 1992-93. The central sector investment in Tamilnadu increased to Rs.2566 crores by the end of March 1994 keeping the percentage share of the state in the total central investment in the country more or less at the same level of 1.29 as in March, 1993.

There were 15,357 registered working factories in the State comprising 14,853 private sector and 504 public sector units at the end of 1994 as against 15,074 factories (14,575 in private sector and 499 in public sector) in December 1993. The increase in the number of factories

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1 Ibid., p.77
2 Ibid., p.76
during 1994 was 283, which accounts for 1.88 per cent. The total number of workers employed in the registered working factories in the state has increased by 8,546 to 3.995 lakhs in 1994 over the previous years level of 3.910 lakhs showing a growth of 2.19 per cent.

SSI received due priority in our successive five year plans because of their high employment potential, low capital output ratio, low gestation period, capability of dispersal of employment and income, rural orientation etc. The industrial policies, both at the national and state level have been oriented throughout towards promoting, fostering, and expanding industries in the small scale sector. In view of the acute unemployment prevailing in the state and the lack of adequate large scale industries, the development of modern type SSIs assumed added significance and received priority in Tamilnadu.

The Industrial Policy Statement of Tamilnadu in 1991, in particular, envisaged an inter linked and large industries as well as co-operative and household units in the modern sector so as to have an optimum use of state's available resources for generating maximum income and employment. A package of incentives and other assistance were announced for the SSI. The all round efforts in the promotion of SSIs in the state have been given a boost to the SSI.

1 Ibid., p.77.
During 1994-95, 15,836 SSI units were newly registered in the state against a target of 15,000 units making a growth of about nine per cent over the previous year. The capital invested by these units amounted to Rs.19,217.92 lakhs whereas the value of goods and services produced by them in 1994-95 stood at Rs.65,232.56 lakhs. These units have created employment opportunities to 73,618 persons.

Total number of SSI units registered in Tamilnadu as on March 31, 1995 reached a level of 1,26,220 with a total investment of Rs.1,36,734.18 lakhs and employment potential of 703161.

The unprecedented growth in the number of SSIs was made possible by the measures taken up under the New Industrial Policy and the Intensive Industrialisation Programme (IIP) launched by the State Government. The IIP launched on February 1, 1993 had the objective of promoting 30000 new SSI units within a period of two years. But the state could promote 30,584 new SSI units in the stipulated period.\(^1\) It is worth mentioning here that a total number of 41,780 new small units could be registered during the first three years of eighth plan against the five year target of 50000 numbers.\(^2\)

\(^1\) Ibid., p.89

\(^2\) Ibid.