Chapter III

Assistance Programme for Small Scale Industries
CHAPTER – III

ASSISTANCE PROGRAMME FOR SMALL SCALE INDUSTRIES

INTRODUCTION

This chapter is divided into two parts namely Part – A outlines a brief note on the development of small scale industries in India under Five Year Plans, whereas Part – B deals with the various programmes designed and implemented for the benefit of the same. Different authorities provide various kinds of assistance and reliefs for the development of small-scale industries in India.

The following are the schemes in operation.

A) Machinery on hire purchase basis.
B) Financial assistance
C) State aid to industries
D) Liberalised credit by State Bank of India
E) Special financing schemes for technical entrepreneurs
F) Credit guarantee scheme
G) Industrial estate
H) Supply of stores purchased by the Central Government
I) Export assistance
J) Package assistance

In addition to the above, there are some more new schemes planned for SSIs development.
PART - A

Small-Scale Industries in the Five Year Plans

During the First Five Year Plan (1951-56) the Government took some significant steps to protect and promote the SSI. Major step in this direction was the establishment of All India Boards to advise and assist the preparation of programmes of development of SSI. Later in 1954 the recommendations of Ford Foundation Team such as the establishment of marketing service co-ordination and National Small Industries Corporation were implemented. Various programme like reservation of production of new products, restrictions on the expansion of large scale industries, and arrangements for the supply of raw materials for SSI were undertaken by the government. An allotment of Rs.5.2 crores was made available in a plan of Rs.4,200 crores, for the promotion of SSI and Rs. 0.6 crores was invested in establishing 10 industrial estates.¹

Second Five Year Plan (1956 – 61)

The categorical enunciation of government policies towards the development of the small industries in the Industrial Policy Resolution 1956, was reflected in this plan. The allocation for SSI was increased to Rs. 56 crores (out of a total plan of Rs.6000 crores). The plan endorsed the “common production programme”, the proposal for non-expansion of the capacity of selected large scale industries, the position of a cess or an excise duty on the production of some large industries, the development of industrial co-operatives and a scheme of special assistance to small industries. 110 industrial estates were sanctioned for different parts of the country. The programme for SSI as a whole provided full time employment to 3 lakh people.
Third Five Year Plan (1961 – 66)

This plan aimed at a greater diversification of the production in the small sector and a close integration between the large and small sectors in specified items. The plan also had a scheme of reserving certain items exclusively for the development of small sector. The plan aimed to reduce progressively the role of subsidies, sales rebates and sheltered markets. The plan’s outlay for SSI was Rs.113.06 crores (out of a total outlay of Rs.10,500 crores). Part time and full-time employment was provided for eight million people and additional full-time employment for 6.3 lakhs persons during this plan.2

During the plan holiday declared till 1969 due to various constraints, the earlier policies and schemes were continued for the promotion and development of SSI. During the period of three annual plans, total amounts of Rs.53.5 crores were invested by government in SSI and industrial estates.

Fourth Five Year Plan (1969 – 74)

The government undertook to promote decentralised growth of industries. In July 1969, 14 major commercial banks of the country were nationalised and this has helped to accelerate the flow of funds from the banks to the small sector. The main programmes during the plan were credit facilities under the State Aid to Industries Act, training and common service facilities, quality marketing and consolidation of industrial estates programme to be administered by the states. During the plan, an amount of Rs.96.2 crores was invested by the government for the development of SSI. By the end of the plan period, 612 industrial estates had been sponsored and an amount of Rs. 5.73 crores was spent on industrial estates.
Fifth Five Year Plan (1974 – 79)

The plan opened a new chapter by putting emphasis on the removal of poverty by provision of many self-employment schemes through cottage and small scale industries which reviewed their due share in the plan allocation. In 1977, a new category, “tiny sector” was introduced for the first time in the Industrial Act. Another important step was “the creation of a single Window Service System by setting up District Industries Centres’ one in each district in the country. A special cell was set up in the IDBI to guide, co-ordinate and monitor the entire range of credit facilities made available by different financial institutions and commercial banks to SSI. The government also raised the number of items to be produced exclusively by SSI to 807. The planned outlay exclusive for the development of SSI including industrial estates was fixed at Rs.221.74 crores.

Sixth Five Year Plan (1980 – 85)

The plan extended the policy support for the implementation of development programmes for village and small industries by integrating the promotional programme with other area development programmes through IRDP. To upgrade the technology of small scale industries, a scheme for setting up Product-cum-Process Development Centre (PPDC) was taken up. Existing Field Testing stations have been strengthened and a few new centres were created to assist in improving the quality standards of small industry products. Tool-room facilities were also strengthened. The limits on investments in respect of SSI and ancillaries have been revised upwards. Liberalisation of certain excise duties in stages have been also made in favour of SSI. Out of the total plan outlay of Rs.1,09,645 crores, Rs.1951.9 crores were spent for the
development of village and small industries. During the plan, about 0.48 lakh new SSI units were established.

**Seventh Five Year Plan (1985 – 90)**

During this period attention has been focussed on the upgradation of technology by strengthening / creation of tooling and workshop facilities for development of proto-type design, new products and process, revamping the organisational structure for the development of this sector, promoting the dispersal of industries to the less developed areas and imparting higher level of training. Ancillarisation has been given greater emphasis. The office of Development Commissioner, SSI has been engaged in the promotional, developmental and regulatory activities for the small sector. To improve the lot of sick units some measures were suggested, including adequate and timely availability of credit. Out of a total out lay of Rs.1,80,000 crores, the SSI Sector was allotted Rs.2752.7 crores including the provision for the establishment of industrial estates. The value of output in this sector grew from Rs.50,520 crores to nearly Rs.92,080 crores. The employment offered by this sector also went up to 119.6 lakh persons. On the exports front, the exports of SSI registered growth of 16.5% against the targeted growth of 12 per cent.

**Table – 3.1**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Modern</th>
<th>Traditional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>12.4</td>
<td>9.9</td>
<td>12.1</td>
</tr>
<tr>
<td>Employment</td>
<td>6.1</td>
<td>3.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Exports</td>
<td>26.5</td>
<td>26.6</td>
<td>26.6</td>
</tr>
</tbody>
</table>

*Source:* Computed from the data given to the Eighth Five Year Plan.
Eighth Five Year Plan (1992 – 97)

The eight plan allocated a sum of the 6334 crores that is 1.5 per cent of the total public outlay for the development of village and Small industries. However the actual expenditure was Rs.7094 crores that is 1.4 per cent of the total outlay. Production of SSI during this period reached a peak of Rs.418.863 crores. All the plan estimates were achieved. The village and small industries provided employment to 575 lakh persons in 1996-97, out of which the modern SSI provided employment to 228 lakh persons (nearly 40 per cent of the total) and traditional sector to 347 lakh persons (60 per cent of the total). This denotes higher productivity. Similarly the village and small industries exported to the tune of Rs.52,230 crores in 1996-97 that is 44 per cent of the total exports. This proves that VSI are very important in the efforts to globalise the Indian economy.

Ninth Five Year Plan (1997 – 2002)

Ninth Plan notes that the small sector is presently producing about 8,000 items, out of which 822 after the recent dereservation of 14 items that are reserved for production in the small sector. However, out of the reserved items, it has been observed that as many as 200 are either not produced at all in the small sector or their production is insignificant. Besides this, the Ninth Plan mentions that during the last few years, “the growth of SSI sector in the non-reserved areas has been higher than in the reserved categories which is a proof of their inherent strength and resilience of the small scale sector and its ability to respond to the challenge of the market forces”.

42
Abid Husssain Committee recommended dereservation of the products of the small scale sector. The government will therefore, review the list of reserved products continually and take action accordingly. As recommended by the Abid Husssain Committee, the Government has enhanced the investment from Rs.60 lakhs to 3 crores for the small scale industries and from Rs. 5 lakhs to Rs. 25 lakhs for the tiny industries.

According to the Ninth Plan, the major problems faced by SSI sectors are (i) inadequate flow of credit, (ii) use of obsolete technology, machinery and equipment, (iii) poor quality standards, and (iv) inadequate infrastructural facilities.

To increase the flow of credit, the Government has started setting up specialised branches of banks exclusively meant for providing credit to SSIs.

To improve technology, SIDBI has already set up a Technology Development and Modernization Fund with a corpus of Rs.200 crores. The Government has also set up Technology Trust Funds with contributions from State Governments and Industry associations for transfer and acquisition of the latest technologies. The following table highlights the performance of SSI sector from 1991.
Table – 3.2

Performance of SSI Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units (in Lakhs)</th>
<th>Production at current prices (Rs. in Crores)</th>
<th>At 1990-1991 Prices (Rs. in Crores)</th>
<th>Employment (in lakh)</th>
<th>Export (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991 – 92</td>
<td>20.82</td>
<td>1,78,699</td>
<td>1,60,156</td>
<td>129.30</td>
<td>13,883.40</td>
</tr>
<tr>
<td>1992 – 93</td>
<td>22.46</td>
<td>2,09,300</td>
<td>1,69,125</td>
<td>134.06</td>
<td>17,784.82</td>
</tr>
<tr>
<td>1993 – 94</td>
<td>23.84</td>
<td>2,41,648</td>
<td>2,81,133</td>
<td>139.38</td>
<td>25,307.00</td>
</tr>
<tr>
<td>1994 – 95</td>
<td>25.71</td>
<td>2,93,990</td>
<td>1,99,427</td>
<td>146.56</td>
<td>29,68.00</td>
</tr>
<tr>
<td>1995 – 96</td>
<td>27.24</td>
<td>3,56,000</td>
<td>2,22,162</td>
<td>152.61</td>
<td>36,47,000</td>
</tr>
<tr>
<td>1996 – 97</td>
<td>28.57</td>
<td>4,13,000</td>
<td>3,63,661</td>
<td>160.00</td>
<td>39,00,000</td>
</tr>
<tr>
<td>1997 – 98</td>
<td>30.14</td>
<td>4,69,000</td>
<td>4,00,027</td>
<td>167.20</td>
<td>44,00,000</td>
</tr>
</tbody>
</table>


Table – 3.3

Growth rates in SSI Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Average growth rate</th>
<th>Production</th>
<th>Exports</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985 – 90</td>
<td>7.98</td>
<td>13.79</td>
<td>17.29</td>
<td>6.04</td>
</tr>
<tr>
<td>1990 – 92</td>
<td>6.87</td>
<td>3.66</td>
<td>20.47</td>
<td>4.18</td>
</tr>
<tr>
<td>1985 – 95</td>
<td>7.46</td>
<td>9.91</td>
<td>17.90</td>
<td>5.18</td>
</tr>
</tbody>
</table>

**Compound Growth Rate:**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of average growth rate</th>
<th>Production</th>
<th>Exports</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985 – 95</td>
<td>7.42</td>
<td>9.82</td>
<td>17.50</td>
<td>5.00</td>
</tr>
</tbody>
</table>

*Note*: Growth rates of production and exports are at constant prices.

Under the scheme of Integrated Infrastructure Development Centres (IIDCs), infrastructure facilities are being developed in backward rural areas. 50 such IIDCs were to be set up during the Eighth Plan period, out of which 22 have been approved. This scheme would be continued during the Ninth Plan with more incentives and financial assistance in hilly areas and North Eastern States.

To help the SSI Sector, the Government has taken a number of policy initiatives like allowing 25 per cent equity participation to large and medium units in SSI units. Besides this, the Government is simplifying procedures and labour laws pertaining to SSI units.

To provide technological support and training to small scale sector, tool rooms with German, Danish and Italian assistance are being set up at Indore, Ahmedabad, Bhuvaneswar, Jamshedpur and Aurangabad.

The credit provided to the SSI sector by the financial institutions is considered as credit to priority sector. By March 1996, the total credit provided by public sector banks stood at Rs.29,842 crores. The cumulative disbursement by State Financial Corporations amounted to Rs.12,704 crores upto March 1996.

The National Small Industries Corporation (NSIC) has envisaged an increase in its turnover from Rs.644 crores in 1996-1997 to Rs.1,560 crores in the terminal year (2001-2002) for the Ninth Plan. It will focus on tiny and rural industries with an increase in the investment limit for plant and machinery for SSI units upto Rs.3 crores and hence more units would be falling under the SSI sector. The NSIC would have to focus on advanced technology, high quality standards and modernisation of SSI units.
The target of production, employment and exports set for the Ninth Plan are given in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected No. of Units</th>
<th>Production (Rs. in Crores)</th>
<th>Exports (Rs. in Crores)</th>
<th>Employment (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998</td>
<td>31.17</td>
<td>3,66,549</td>
<td>46,783</td>
<td>165.47</td>
</tr>
<tr>
<td>1998-1999</td>
<td>33.34</td>
<td>3,94,517</td>
<td>46,783</td>
<td>172.30</td>
</tr>
<tr>
<td>1999-2000</td>
<td>35.66</td>
<td>4,24,619</td>
<td>64,249</td>
<td>179.42</td>
</tr>
<tr>
<td>2000-2001</td>
<td>38.14</td>
<td>4,57,017</td>
<td>75,293</td>
<td>186.83</td>
</tr>
<tr>
<td>2001-2002</td>
<td>40.79</td>
<td>4,96,887</td>
<td>88,236</td>
<td>194.55</td>
</tr>
</tbody>
</table>

Sources: DC (SSI), Government of India, 1997.

It may be noted that the modern sector in SSI includes small scale industries and powerlooms. The traditional sector consists of handlooms, Khadi and village industries (KVI), coir industries and handicrafts. From the data, it becomes obvious that production of small scale industries is expected to increase at an annual average growth rate of 12 per cent. Similar is the increase in powerloom sector. Even in the traditional sector, production is likely to grow at the annual average rate of about 11 to 12 per cent. This only underlines the vibrant nature of the SSI sector.

Regarding employment, total employment in the SSI sector will increase from 165.47 lakh to 194.55 lakh, indicating additional employment generation of the order of 29.08 lakh. Out of this, modern sectors’ contribution will be 3.6 million and that of the traditional sector by 5.5 million. The overall rate of growth of employment will be of the order of 3.0 per cent per annum which is higher than the rate of growth in any other sector of the economy visualised for the Ninth Plan.
Table - 3.5

Targets and Achievements of V & SI in the Eighth Plan and the Ninth Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Target</td>
<td>Anticipated Achievement</td>
</tr>
<tr>
<td>A.</td>
<td>PRODUCTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modern Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Small Scale Industries (Rs. Crs)</td>
<td>420,000</td>
<td>418,863</td>
</tr>
<tr>
<td>2.</td>
<td>Powerloom cloth (m.sq.mtrs.)</td>
<td>15,240</td>
<td>17,300</td>
</tr>
<tr>
<td></td>
<td>Traditional Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Khadi cloth (m.sq.mtrs.)</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>4.</td>
<td>Village Industries (Rs. Crores)</td>
<td>4,120</td>
<td>4,120</td>
</tr>
<tr>
<td>5.</td>
<td>Coir Fibre (tonnes)</td>
<td>276</td>
<td>271</td>
</tr>
<tr>
<td>6.</td>
<td>Handloom cloth (m.sq.mtrs )</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>7.</td>
<td>Raw Silk (tonnes)</td>
<td>16,250</td>
<td>14,000</td>
</tr>
<tr>
<td>8.</td>
<td>Handicrafts (Rs. Crores)</td>
<td>29,620</td>
<td>29,620</td>
</tr>
<tr>
<td>B.</td>
<td>EMPLOYMENT (LAKHS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Modern Sector (3-7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Small Scale Industries</td>
<td>231</td>
<td>228</td>
</tr>
<tr>
<td>2.</td>
<td>Powerlooms</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>b.</td>
<td>Traditional Sector (3-7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Khadi &amp; Village Industries</td>
<td>354</td>
<td>347</td>
</tr>
<tr>
<td>4.</td>
<td>Coir Industry</td>
<td>32</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Handlooms</td>
<td>6</td>
<td>49</td>
</tr>
<tr>
<td>6.</td>
<td>Sericulture-Raw Silk</td>
<td>78</td>
<td>71</td>
</tr>
<tr>
<td>7.</td>
<td>Handicrafts</td>
<td>78</td>
<td>71</td>
</tr>
<tr>
<td>C.</td>
<td>EXPORTS (1-6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Small Scale Industries</td>
<td>29,004</td>
<td>52,229</td>
</tr>
<tr>
<td>2.</td>
<td>Powerlooms</td>
<td>20,201</td>
<td>39,921</td>
</tr>
<tr>
<td>3.</td>
<td>Coir Industry</td>
<td>3,970</td>
<td>8,050</td>
</tr>
<tr>
<td>4.</td>
<td>Handlooms</td>
<td>208</td>
<td>400</td>
</tr>
<tr>
<td>5.</td>
<td>Silk</td>
<td>1,500</td>
<td>1,525</td>
</tr>
<tr>
<td>6.</td>
<td>Handicrafts</td>
<td>5,400</td>
<td>5,600</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from planning commission, Ninth Five Year Plan (1997-2002) vol.II.
But the most encouraging aspect of the SSI sector is the contemplated increases in exports which are expected to go up from Rs.52,230 crores in 1996-97 to Rs.1,04,000 crores in 2001-02 indicating an average annual growth rate of 14.7 per cent. The most important contributions are small scale industries and handicrafts. These two account for 88 per cent of total increase in exports expected during the Ninth Plan. It may, however, be noted that out of total exports of SSI sector expected by 2001-2002 of the order of Rs.104,000 crores, the share of the modern sector will be Rs.86,950 crores that is 83.6 per cent. This underlines the need for strengthening the modern SSI sector with a view to increase exports. However, the traditional sector will continue of be a source of supplementary employment for the poor in the rural as well as urban areas.

From the above it become obvious that SSIs represent a very dynamic sector of the Indian economy and deserve all help, protection and encouragement.

The main highlights of the Ninth Plan strategy for the SSI sector will be:

(i) The small scale and village industries will be provided incentives and support to facilitate their growth and employment. It will be ensured that foreign investment does not displace such industries.

(ii) The investment limit for the small scale industry sector will have to be revised to take account of inflation and to enable the achievement of minimum economies of scale and upgradation of technology so as to withstand emerging competition. This has already been done. The investment limit for SSI and ancillary was raised to 3 crore and for tiny units has been hiked to 25 lakhs in February 1997 (the ceiling for SSI has been lowered to Rs. 1 crore in 1999).
(iii) The list of items reserved for small scale industries will be reviewed with a view to achieve the benefits of economies of scale, technological upgradation and export capabilities. Out of 836 items reserved, 15 items were dereserved subsequently (on February 3, 1999, 11 more item in SSI list were dereserved).

(iv) Credit flow to SSI will be augmented. The financial institutions will be motivated to offer factoring services to SSI in addition to the present system of discounting bills.

(v) The coverage of programmes such as the Prime Minister’s Rozgar Yojana (PMRY) will be enlarged to create new self-employment opportunities for the educated unemployed.

(vi) The KVIC will be organisationally and financially strengthened to be able to generate more job opportunities under the 2 million jobs programme in Khadi and village industries.

(vii) Technology development and upgradation in the VSI sector, especially in the case of small scale industries, handlooms, powerlooms, coir and handicrafts wool, will receive special attention.

(viii) In the case of sericulture, which has a large rural employment generation potential, in addition to enhancing credit availability on easy terms, special attention will be paid to the improvement of quality of raw silk by introducing better silkworm breeding practices.

(ix) In the case of wool industry special attention will be paid to improvements in sheep breeds, adoption of scientific animal husbandry practices, enlarging the availability of grazing areas to the shepherds and enhancement of pre-loom and post-loom facilities.
New institutional mechanisms will have to be evolved for augmenting credit flow to informal and rural non-farm sector.

The Food Processing Industry contributes about 18 per cent of the total output of the industrial sector and provides employment to about 1.5 million persons. However, about 70 per cent of the units in this sector are in the informal sector, in a primitive state of technology. This sector has enormous scope for growth. The country being the largest grower of fruits and second largest producer of vegetables, having a large livestock population and a long coastline for exploiting fisheries resources, the food processing industry promises to be an area where the potential for development is enormous.

(i) Provision of activity-specific infrastructure such as cold storage and transportation facilities, efficient processing facilities, technologically advanced laboratories, trained manpower, adequate capital availability and better packaging.

(ii) The existing legal framework will be suitably modified to promote the growth of this sector, particularly with reference to dairy products, cold storage facilities and the like.

(iii) Linkage will be established between farmers and processing units through contract farming.

(iv) Special efforts will be made to rehabilitate and modernise flour milling units and rice hullers by providing credit and other facilities. The experiment of “Factory on Wheels” that has been tried in Karnataka will be extended to other parts of the country.
ABID HUSSAIN COMMITTEE REPORT ON SSI

The Government of India has appointed an Expert Committee under the Chairmanship of Mr. Abid Hussain in December 1995 to suggest measures to improve the growth of small scale industries. The Committee submitted its report in January 1997. The main recommendations of the Committee are as under:

1. Enlarging the concept of Small Scale Industries – The committee is of the view that so far the government focus has exclusively been on Small Scale Industries. The concept of the small scale business should be widened to include Small Scale Business and Services Enterprises.

2. Policy of protection to be replaced by the policy of promotion – so far the accepted SSI policy was an infant industry protection based on the assumption that the SSI units cannot withstand predatory competition of large companies. This approach needs a radical change. The Committee has recommended that the policy of protection be replaced by promotion as the cornerstone of future policy. Adequate supply of credit, service technology assistance, infrastructure and low transaction costs are the hallmarks of the proposed strategy of promotion for Small Sector Enterprises (SSEs).

3. Increasing public private partnerships in setting up support systems for SSEs – According to Abid Hussain Committee, the centre-piece of the new approach is setting up support systems for SSEs. For this, it is necessary to develop clusters of SSEs because clusters can become a source of informational economies, accretion of skills and economies in infrastructure development.
The Committee recommends that State Governments should identify the existing SSE clusters and then promote new type of organisations, which are joint ventures between the State Government or local authorities and business associations in these clusters. The Cluster Small Enterprise Associations (CSEAs) should be autonomous and the government should support them only if the local business associations are willing to provide some level of matching funds. The level of matching fund would have to differ between different locations depending on the size and strength of clusters.

4. The Committee recommends that in future the development of SSEs should be largely the responsibility of State Governments. The Central Government's task should be confined to policy formulation, legal and institutional development.

5. Abolish Reservations – One of the most important and also the most controversial recommendations of the Committee is to abolish all reservations of products which can be exclusively manufactured by Small Scale Industries only. Giving the rationale for this recommendation, the Committee states: “Past experience leads to the conclusion that reservation does little for promotion of small enterprises and plays only a negative role of keeping out large enterprises. This policy is now inconsistent with the current trade reform, which allows the free import of the large majority of goods, and services and the remaining consumer goods can be imported under special quota licence. A large number of reserved products are either not manufactured at all by the Small Scale Sector or their sales turnover is insignificant. On the other hand, the important sectors like light engineering and food processing have not been able to grow due to the limitations imposed on it. Moreover, the pace of expansion of exports in such important sectors as textiles and leather is threatened because India is unable to supply large enough volumes of adequate quality within the
required delivery time. The problem will be accentuated when quantitative restrictions on imports in developed countries, such as those under the MFA are withdrawn. Abid Husain Committee believes that this is the most powerful argument for the abolition of Small Scale Industry reservation forthwith. In view of the overwhelming evidence that the reservation policy is serving no useful purpose in the promotion of the Small Scale Sector, the Committee recommended complete abolition of reservation pertaining to SSI sector. However, the government must make simultaneous transitional arrangement to assist small scale units affected by this dereservation.

6. Transitional arrangements for SSIs to be affected by dereservation – The Committee has identified that 68 items account for more than 80 per cent of the total value of production of reserved items. Since they would be adversely affected by dereservation, the Government should provide annual resources of the order of Rs.500 crores over the next 5 years, thereby totaling Rs.2,500 crores to the Ministry of Industry for providing the proposed support. These resources should be provided in the form of concessions funding in terms of equity support and interest rate concession to such units for expansion, technology upgradation, modernisation and training. Some fiscal concession may also be provided during the transition period of five years.

7. Raising the investment limit for SSI units – The Committee has recommended that the investment limit of Rs.25 lakhs for tiny units is appropriate. For Small Scale Enterprises, the threshold level should be immediately raised to Rs.3 crores.
8. Removing equity participation limit of 24 per cent – The Committee while listing measures to provide credit and funding sources for SSE recommends that 24 per cent ceiling on equity participation by large companies and foreign direct investment in SSEs be removed.

To remedy delayed payment to SSEs, the Committee believes that the Delayed Payments Act has not been too effective so far in helping SSIs to collect their dues. A more practical approach would be to encourage a bills culture and expand factoring services. Besides, the Committee recommends that in the annual accounts of large companies, information be provided on a statutory basis on the extent of accounts payable to small enterprises. The Department of Company Affairs has been advised to explore this possibility.

9. 70 per cent priority lending for tiny sector – For ensuring that the tiny sector is not bypassed by the Commercial banking system, the Committee recommends that commercial banks should earmark 70 per cent of priority lending allocated to the Small Scale Sector to the tiny sector. To help these entrepreneurs without sufficient collateral towards processing loans, it is suggested that a revolving collateral reserve be created at the intermediate level.
ASSISTANCE TO SMALL SCALE INDUSTRIES

Though very many numbers of organisations in India are involved in helping SSI sector, the following is the brief account of number of assistance available to the SSI. Each relief and or assistance to SSI has been discussed below in detail.

A. Machinery on hire Purchase Basis:

It is possible to obtain machinery, indigenous and imported, on hire-purchase basis from the National Small Industries Corporation. A small entrepreneur who is unable to purchase machinery at his own, can apply to the National Small Industries Corporation through the Director of Industries of the State in which the enterprise is located. The hire purchaser is not required to furnish any security or surety for receiving machinery, as he is often to do in respect of cash credit. The scheme extends its benefits to all the small industrialists, whereas the cash loans can be primarily obtained by those who are in a position and willing to offer a tangible security for the purpose. It provides machines to those small-scale enterprises that are capable of doing something. The State Director has to ensure that the enterprise has growth potential and that it needs encouragement. The scheme assists not only the new units but the existing units as well in order to modernize their operations through installation of the latest machines supplied and the employment of improved technology. The legal ownership of the machine under this scheme passes on to the hire-purchaser when he clears off all the instalments. In the event of a default in repayment by him, the NSCI is authorised to have repossession of the machinery. A hire-purchaser can also return the machines during the period of hire-purchase agreement to the lending agency if he can not make use of them.
scheme induces mobilization of capital and enterprise both. Once a hire purchaser gets the machines, he is compelled to find a matching investment for the installation and operation of machines obtained under it. The small industry owner has to make an application on a prescribed form (which is supplied by NSIC) through the State Director of Industries, who after making the necessary verifications, sends the application to the Head Office of the NSIC at Delhi with necessary recommendation. Demand for machinery on hire purchase basis from the NSIC has been increasing year after year.

The following are the main features of the scheme:

1. Deposit – Earnest money at 20 per cent of the value.

2. Balance – Payable in half-yearly instalments over seven years.

3. Interest – This is charged at 6 per cent.

4. Clearing and other charges – In case of imported machines these are 3½ per cent of CIF price.

5. Service charges – This is 6 per cent of CIF price.

The scheme has made a spectacular contribution towards the growth of small industries in various states. It has resulted in creating significant employment. A large number of new enterprises have been assisted, and a new class of artisans and traders, has been led with the manufacturing activity. Small units assisted by the NSIC are manufacturing a large variety of industrial end products including water-meters, photoflash bulbs and hardwares.
B. **Financial Assistance**:

Financial assistance to small enterprises are available from the commercial banks and financial institutions to meet the short, medium and long-term capital needs.

Long and medium term loans to small-scale industries are provided by the State Financial Corporations, State Bank of India etc., whereas short-term loans for working capital are mainly provided by the State Bank of India, commercial banks and State Financial Corporations. Small units can secure financial assistance from the following sources:

i. State Financial Corporations.

ii. NSIC Guarantee Scheme

iii. Industrial Co-operatives

iv. Commercial Banks.

i. State Financial Corporations: The State Financial Corporations provide medium and long term loans to the small-scale industries. Generally loans to a single small enterprise is granted from Rs.20,000/- to Rs.10,00,000/-. The State Financial Corporations provide the following types of assistance to small-scale and medium scale industries:

a. Underwriting the issue of shares and debentures of industrial concerns.

b. Guarantee loans raised by industrial concerns.

c. Grant loans and advances to industrial concerns repayable within a period of 20 years.

d. Sanction and disburse IDA Credit for assisting small and medium units.
ii. NSIC Guarantee Scheme: The State Bank of India in collaboration with the National Small Industries Corporation are extending financial assistance to those small enterprises which have orders from Government and want finance for purchase of raw materials to enable them to participate in the Government store purchase programme.

iii. Industrial Co-operatives: Industrial co-operatives provide significant assistance to village and cottage industries. These co-operative societies get financial assistance from the Government, Central Co-operative banks, industrial co-operative banks, State Bank of India, Reserve Bank of India and Commercial banks. Industrial co-operatives require short-term credit for purchase of raw materials, payment of wages and holding stocks of finished goods until they are sold. Long and medium term credit is needed for construction of work-shed and purchase of tools and equipment.

iv. Commercial Banks: The Commercial banks grant short-term, medium-term and long-term loans to small-scale industries. The bulk of the advances by the commercial banks, however, are for meeting short-term capital needs of small units. Short-term capital is required for meeting day-to-day business needs. It is widely used for purchasing raw materials. It is also required for payment of wages and salaries, overhead expenses like power, rent, taxes. Medium and long-term loans are needed for setting up of new industrial units, expansion of existing ones. Loans are also granted by commercial banks for construction of factory building, purchase of machinery and equipment. This loan can be secured against the registered mortgage on fixed assets. Commercial banks are liberal in providing term loans, instalment credit and working capital to small-scale entrepreneurs. Banks extend liberal financial assistance on easy terms to promote the
non-traditional lines of manufacture in the small-scale sector. The different types of loans and financial assistance provided by the commercial banks are:

a. Medium and Long Term Loans: The medium and long term loans are provided by the commercial banks for acquiring fixed assets. These loans are granted for construction of factory buildings, purchase of machinery. This loan can be secured against the mortgage on fixed assets. A margin of 50 per cent is generally stipulated for loans against immovable property. These loans are repayable over a period extending from 7 to 10 years in suitable instalments.

b. Short-term Loans: The short-term loans are granted by commercial banks to small enterprises for maintaining necessary inventory of raw materials, finished and semi-finished goods and meeting day-to-day expenses. These loans are advanced against the pledge of materials and processed goods. The bulk of the advances by the commercial banks are given to small-scale units as short-term loans for meeting their working capital needs.

c. Instalment Credit: Commercial Banks grant financial assistance to enable the small-scale units to purchase even second hand machinery, provided the machinery is in a good working condition. The small entrepreneur is required to make a down payment of 20 per cent to 33½ per cent of the cost of machinery purchased while the rest is financed out of the loan. These loans are repayable over a period not exceeding 5 years in suitable instalments.
d. **Cash Credit**: Commercial banks have brought out a new scheme for financing small units engaged in rural industries project manufacturing certain specified items. Commercial banks provide them working capital for purchase of machinery, tools and equipment. Under this scheme a maximum loan upto Rs.5,000/- is granted by way of cash credit.

e. **Lead Bank**: Under Lead Bank Scheme each district is taken up by a particular nationalised bank for intensive development of banking facilities. The Lead Bank Scheme has been responsible for banking the unbanked areas by the establishment of branches in the interior of districts of every state. This scheme ensures banking facilities to the small entrepreneurs and agriculturists who otherwise lack banking facilities to finance their operations.

C. **State Aid to Industries Act**:

The State governments have been advancing loans to small-scale industrial units under the State Aid to Industries Act. Loans are advanced to such industries which are new or have been newly introduced into areas where such industries do not already exist. These are not generally given to common place industries and processing industries such as rice mills, flour mills, tailoring. These are ordinarily given only to such industries, which produce essential consumer goods and other articles or ancillary parts to feed large industries that are in short supply. These are, in other words, intended to encourage the establishment of such industries as otherwise would not have arisen there due to certain local handicaps. Advances are given to industries for purchase of land, construction of
factory building, procuring machinery, meeting working-capital requirements or for such other specific purposes depending on the circumstances in each case.

Advances under the Act are available on liberal terms. Small entrepreneur must apply in a prescribed form to the State Director of Industries for loans. These application forms are available on payment of Rs.50. As soon as the application is received the loan form is passed on to the circle inspector who visits the factory premises of the applicant for an on the spot enquiry and asks for the attested copies of the following documents along with originals thereof for verification and necessary entries are made in the inspection record:

(i) Municipal Licence

(ii) Registration under the Shops and Establishments Act.

(iii) Registration under Local State or Central Sales Tax.

(iv) Registration under the Factories Act.

(v) Latest Balance Sheet and Profit and loss account.

(vi) Latest rent receipt in original or any other proof of legality of possession of premises.

(vii) Attendance register.

The application form is verified and placed before the sanctioning authorities. There are variations as between the states as regards amounts of loans to be sanctioned by different authorities. The following terms, by and large, are followed:

\[\text{\textcopyright} \text{Thorins} 1865 \]
(i) Loans upto Rs. 1,000/- are granted on personal bonds.

(ii) Loans upto Rs. 5,000/- are granted on one or more securities.

(iii) Loans above Rs. 5,000/- are granted at 75 per cent of security offered.

However, loans are advanced at concessional rates of interest, which is 2 1/2 per cent of loans upto Rs.2,00,000/- to industrial co-operatives, and 3 per cent for loans upto Rs.50,000/- to private small entrepreneurs. If the instalments are delayed for more than 6 months a penalty of 1 per cent is levied on all amounts including principal and interest in arrears and for the period for which such arrears remain unpaid. Normally loan is not granted exceeding Rs.1,00,000 to an individual and Rs.2,00,000 to an industrial co-operative without the prior approval of the Central Government. All advances are repayable within a maximum period of 7 years from the date of disbursement of the loan. Loans are repaid in 6 equal instalments. The borrower is required to permit the Director of Industries or any other person deputed by him to inspect the premises, account books, machinery, plants, stocks and stores in respect of which loans have been granted.

D. Liberalised Credit Scheme of the State Bank of India:

One of the development activities that is undertaken by the State Bank of India is the provision of credit on easy and liberal terms to small-scale industries. This was in consonance with the national policy of promoting industrialisation in general and the development of small-scale industries in particular. A series of measures were initiated with a view to ensure that the bank did not lag behind in the efforts expected of it in assisting the development of this sector of the economy. The scheme was launched at a
few selected pilot centres in 1956. It was later extended on an all-India basis in 1959. From 1960 onwards, the scheme has also been extended to the subsidiaries of the Bank, namely, State Bank of Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Trivangore.

The liberalised scheme evolved for extending credit facilities to small-scale industries represents certain measures of liberalisation due to the fact that small industrial enterprises suffer from a variety of weaknesses namely, lack of adequate security, absence of proper system of accounting, lack of staying power in terms of both finance and competition, and the absence of organised arrangements for making their products. It was also recognised that any attempt at providing credit facilities on an organised basis to small enterprises could not work to their benefit unless the relative terms and conditions were concessional. Thus among the important measures of liberalisation were (i) concessional rate of interest which at present ranges between 7 1/4 per cent and 9 per cent, (ii) granting of "factory type" advances (where lock and key advances cannot be granted) and (iii) retention of low margins in respect of security accepted consistent with the borrower's capacity to meet such commitments. Further, with a view to ensure that all the credit requirements of small-scale industries are met, the assessment of their requirement is need-based and are not security oriented. The type of credit facilities available to small-scale industries are, therefore, so varied as to cover all the state of manufacturing, that is from the purchase of raw materials to the despatch of finished products and the realisation of dues. Thus, their requirements are accommodated by way of granting loans and cash credits and issuing over drafts to enable them to purchase raw
materials against bills drawn by them on the government departments and agencies with a view to cater to the needs of small-scale industries for sophisticated machinery. The bank has introduced a scheme known as instalment credit scheme in terms of which advances are granted to enable them to purchase machinery against hypothecation thereof. These loans are payable in convenient instalments over a period not exceeding five years. Further, medium terms loans, repayable over a period not exceeding 10 years, are also granted to small entrepreneurs for the purpose of modernisation, renovation and expansion of their units against the security of existing assets and those proposed to be acquired with the proceeds of the loan.

The liberalised scheme for providing credit to small-scale industries envisages close coordination amongst the various agencies, namely, SISI, NSIC, and the State Directorate of Industries in the various states, the State Financial Corporations, the Small-Scale Industries Development Corporations in the States and the Co-operative Banks.

E. **Special Financing Schemes for Small Technical Entrepreneurs:**

Generally craftsmen and other qualified small entrepreneurs have worthwhile projects and also the ability to operate them successfully, but they do not have the necessary financial resources of their own. With a view to ensure that this class of entrepreneurs can also avail of the liberal credit facilities, the commercial banks have evolved special schemes to extend the requisite financial support to them. The salient features of the special financing scheme for small technical entrepreneurs are given below:
(i) The schemes cover those projects that are proposed to be set up in industrial estates or industrial areas declared by the appropriate authorities.

(ii) The project proposed should be technically sound and economically viable.

(iii) The assistance available from the commercial banks covers the entire range of financial requirement of the prospective entrepreneurs including, if necessary, the whole or a portion of the owner's equity.

(iv) The amount of accommodation to any one entrepreneur is restricted upto Rs. 1 lakh. It can be increased only by a few thousand rupees in exceptional cases.

(v) Entrepreneurs already owning a factory are not eligible for assistance under these schemes. Only a negligible small interest of this sort is accommodated by the commercial banks.

(vi) Entrepreneurs are required to mortgage their assets to the bank. All the surplus generated by the enterprise is first to be utilised to repay the instalment credit and medium-term loans obtained by them. Unless these requirements are met with, no part of the surplus is ordinarily allowed to be withdrawn from business for any purpose.

Preference under these schemes is given to projects related to following industries:

(i) Industries, which show substantial, net savings of foreign exchange and are export oriented.
(ii) Industries providing essential consumer goods which have an assured base in domestic raw materials.

(iii) Industries which provide a basis for agricultural development and further industrialisation.

That is how the schemes are designed to tap the latent entrepreneurial talent, giving in turn a boost to industrialisation.

A number of commercial banks have introduced various special schemes for providing finance to the technically qualified small entrepreneurs. The principal among these banks are Chartered Bank, Andhra Bank, Bank of Baroda, Union Bank, Bank of Maharastra, Canara Bank, Central Bank of India.

F. Credit Guarantee Scheme for Small-Scale Industries:

Most of the small industrial units are either proprietary or partnership concerns and are open to several economic hazards. They do not generally have sufficient capital resources and rely largely on loans and deposits from friends and relatives. Financial institutions have been reluctant to extend their operations in this field on account of the comparatively larger risk believed to be present in making advances to such borrowers. The Credit-Guarantee Scheme for the guarantee of advances granted by banks and other financial institutions to small-scale industries were introduced by the Government of India in 1960 with the object of enlarging the supply of institutional credit to the small-scale industrial
sector by offering protection against any possible losses. The Reserve Bank of India initially introduced this scheme in 22 selected districts as an experimental measure.

The objective of the Credit Guarantee Scheme for small-scale industries is sought to be achieved (a) by granting a degree of protection to the lending institutions against possible losses in respect of their advances to the small-scale industrial units. The scheme provides for sharing of the losses between the lending institutions and the Government of India in a prescribed manner and (b) by providing an element of refinancing in the scheme namely, a guarantee under the scheme may be invoked by the lending institution before enforcing the securities, if any, held against the advance and the claim is required to be paid within 30 days of its receipt by the Guarantee Organisation. This provision assures the lending institutions that their liquidity would not be adversely affected-subject to the ceiling on payment of claims prescribed under the scheme.

A credit institution making an advance to a small-scale industrial unit is required to apply for guarantee to the Guarantee Organisation. The application is scrutinised by the Guarantee Organisation with a view to ensure that the essential requirements of the scheme are complied with. As regards the normal banking safeguards, the Guarantee Organisation takes a progressive view. It leaves the discretion regarding the terms and conditions of advances to the credit institutions. It expects that as a result of the availability of the guarantee as well as the liberal terms on which refinance is provided by the Reserve Bank and the Industrial Development Bank of India, the credit granting institution will, in turn, would like the credit institutions to place greater emphasis on factors such as competence and integrity of the management of the borrowing unit and the
feasibility of project on such criteria as security margin. In fact, the guarantees are extended to cover unsecured advances to borrowers having entrepreneurial skill.

G. Industrial Estates:

Industrial estates have been built throughout the country to assist entrepreneurs to find ready-made factory premises on a rental basis. It is an important means for the dispersed growth of small-scale industries. The programme of industrial estates was launched to encourage the development of small industries. The programme is particularly helpful to small units located in the congested metropolitan towns. These estates have well-planned factory accommodation in healthy environment with water, electricity and roads. Besides common service facilities such as tool room, forging shops, foundries, electroplating units are also provided in many estates. The following are the major objectives of the industrial estate programme:

(i) to shift small-scale industries from congested area to estate premises;
(ii) to encourage the growth of small-scale industries;
(iii) to achieve decentralised industrial development in small towns and in large villages;
(iv) to encourage the growth of ancillary industries in the townships.

These objectives were to be achieved through the building up of industrial estates. The programme in question provides well-planned accommodation to small-scale industries at
suitable sites with reasonably better facilities of water, electricity, banks and transport. It also brings together a number of industrial units to facilitate the establishment of common facilities in respect of purchase of raw materials and sale of finished goods, joint publicity. The industrial estates set up in urban areas are known urban estates and those which have been set up in rural areas are classified as rural industrial estates. The urban estates such as Okhla (Delhi), Sanatnagar, (Hyderabad) have proved to be a very great success. The rural industrial estates have been set up as a deliberate policy of the state for dispersal of industries in rural and backward areas.

Industrial estates provide a number of facilities to small-scale units. The primary facility, which an industrial estate affords, to small-scale unit is suitable planned factory accommodation with facilities of water, electricity transportation, banks. Moreover, common service facilities such as tool rooms, foundries, electroplating units, heat treatment plants are also provided to small units in many estates. Moreover facilities like bank, post and telegraph office, telephones, railway sidings are also provided. Credit facilities and supply of machinery on hire – purchase basis is also available to small-scale industries. Besides, concessions are also granted in the form of tax exemptions.

Factory premises of about 4 different sizes are available in different industrial estates, varying from 600 sq.ft. to 10,000 sq.ft, for each enterprise. The monthly rent varies according to the size of the factory premises and the location of the industrial estate. Generally, it varies from Rs.0.10 to Rs. 0.20 per sq. ft. The rent, for the first five years is charged on a concessional basis. In certain cases the State Governments are making
developed plots available for the construction of factory premises within an industrial estate.

H. Supply of stores purchased by the Central Government:

The Central Government purchases a large variety of stores every year through contract. There is a special scheme to enable small-scale entrepreneurs to secure contracts for the supply of government stores. The National Small Industries Corporation assists them to secure such contracts. The Corporation extends marketing assistance to small-scale units to build up local vis-à-vis international market. It helps the small-scale entrepreneur who are registered with them, in securing contracts from the Central Government Stores purchase agencies for supply of stores. A small-scale manufacturing unit interested in participating in Government Stores Purchase Programme can register with the Corporation. Application form in triplicate may be submitted to the concerned office of the Corporation. The Small Industries Service Institute (SISI) makes investigation in respect of commercial and technical competency of the industry and submits its report to the Corporation. In the light of the report submitted by the SISI, registration with the corporation is made provided the entrepreneur has sought registration in respect of his industrial unit with the Director of Industries of the State and that the small-scale unit is capable to undertake supply of goods to the DGSED and other Government departments.

The registration with the corporation enables a small-scale unit to market its products in various government departments, in local markets and abroad. The Corporation is functioning as a recognised export house which extends offers to competent small-scale
units, whenever any enquiries are made from abroad. The Corporation creates market of traditional and non-traditional products manufactured by the small-scale industries. Small Scale industries are making appreciable contributions to the export earnings. They accounted for 17.07 per cent of the total exports from India valued at Rs.5,142.00 crores during 1976-77. Little wonder that the small-scale industries exports are no more confined to traditional items, but exports of non-leather goods has given further fillip to small-scale industries. The export-oriented Janata's import policy, various assistance and incentives at the face of a number of private and public organisations engaged in export promotion of traditional and non-traditional items manufactured by small-scale industry sector are contributory factors for higher growth of exports. Ministry of Commerce, Export Promotion Councils in various products, Commodity Boards, Board of Trade, Advisory Council of Trade and Zonal Import Advisory Committee, Chamber of Commerce Industry and Associations of sample of organisations are engaged in export promotion. The export promotion organisations are making all out efforts to increase exports of products manufactured by small-scale units in general and total India exports in particular.

I. Export Assistance:

The small-scale industries are provided with various assistances and facilities to promote their export. There are several export promotion schemes of which small enterprises take advantage. A large number of facilities, concessions and incentives are available to exporters to diversify export trade. It is not possible to give details of each of the available facilities, hence, the important ones are described below:
Cash Compensatory Assistance: This assistance is frequently referred to as cash incentive. Cash incentive is allowed on export of selected products to meet the international price competition. It enables the exporters to sell their products in foreign markets on a price lower than the price prevailing in the domestic or even less than the cost price, the loss being neutralised by the cash assistance.

As a matter of fact, Indian exporters face severe competition in selling their non-traditional products in the international markets. As a result of poor technological development and high cost of production, some of the country's selected products which are of highly competitive nature in the overseas markets are unable to withstand competition unless their price is low. Cash incentives are provided to selected products which have export potentials with a view to overcome price disparities faced by Indian products. It is granted as a percentage of free on board value. The cash assistance is granted for nearly one hundred selected items.

Duty Drawback: Another export promotion measure, to assist the manufacturers is drawback scheme. The export of those products, which are manufactured out of the raw material and components where customs and central excise duties are paid, enables the exporters to draw back the amount of such duty. The drawback is permissible to not fewer than 59 broad categories of items, which have further been classified into various sub-items. It is allowed as a percentage of f.o.b. or on weight or unit basis which makes the export price more competitive.
(iii) Finance Facilities: Credit facilities are extended to the exporters mainly by Indian and foreign banks. Exporter requires two types of finance, namely pre-shipment finance and post-shipment finance. An exporter prior to the shipment of goods requires pre-shipment finance or ‘packing credit’ as it is commonly known. It is granted by any bank to eligible exporters for meeting their short-term capital need. Post-shipment finance is, however, provided by banks, which are authorised dealers in foreign exchange. It is required by the exporters after the shipment of goods. The Reserve Bank of India and the Industrial Development Bank of India function as refinancing institutions for short and medium term finance respectively. The Export Credit and Guarantee Corporation Limited provides cover for commercial and political risks involved in export trade.

(iv) Import Licence: Registered exporters of various approved products can apply for import licences against exports of specified products. Registered exporters and export houses holding Export House Certificate are eligible to get import licence to purchase any item from overseas market subject to ‘Actual User’ condition. The replenishment (REP) policy lists out various products in the manufacture of which imported materials are required. Import licences are issued as percentage of free on board value e.g. 10% means exporter is eligible to get Rs.10/- Cost Insurance and Freight import licence. The percentage upto which replenishment in terms of free on board value is allowed depends upon the product as there are items which have been granted import licences varying from 1% to 80% of free on board value. Import licence is not issued against exports to Nepal,
Afghanistan, and Bhutan. It is issued to import raw materials, components, consumable stores and packing materials required for the manufacture of the product exported.

(v) Supply of Raw Materials: Certain selected indigenous raw materials which are in short supply are provided to manufacturing units producing goods for exports. In case indigenous raw materials are not available, the export promotion councils help the exporters in securing supplies from overseas market, for example, the plastics and linoleums. Export promotion council helps the exporters in supplying of plastic materials at international prices. A manufacturing unit engaged in the production of exportable product is assured of supplies of specified indigenous raw materials. Ministry of Foreign Trade makes the allotments against applications received from registered exporters. Applications are to be made to the concerned import licensing authority for import licence. The licensing authorities verify the details of exports and forward the applications to the Director of Export Promotion for necessary allotment.

(vi) Marketing Development Fund: The Government has set up the Marketing Development Fund (MDF) in order to have a common source to help implement various export promotional efforts of the exporters. The fund is utilised mainly for the development of market of Indian goods in the overseas market. There are various committees constituted by the Marketing Development Fund to implement various schemes of assistances in the filed of market studies, research and product
development, participation in trade fair and exhibitions, export publicity and setting up of show rooms.

The following scale of assistance in respect to various schemes under the code of grant-in-aid is available to the exporters:

a. **Market Studies**: The registered exporters are eligible to claim financial assistance for conducting market survey in India and abroad to determine export potentials. The scales of assistance are as follows:

i. 50 per cent for commodity survey if undertaken within the country to determine its export potential;

ii. 60 per cent for commodity survey if undertaken abroad;

iii. 50 per cent for commodity survey for exploration of its market.

These assistances are available to a registered exporter subject to the condition that the market survey report shall be made available to the Marketing Development Fund.

b. **Research and Development**: The export houses are also eligible to claim 50 per cent of the expenditure incurred on research and product development.

c. **Export Publicity**: The export houses are eligible to claim expenditure incurred on export publicity. The range of assistance is as follows:
i. 50 per cent or more on the net expenditure for participation in international trade fairs and exhibitions. This includes the expenditure on bringing out export promotion literature like pamphlets, folders or insertions in trade journals.

ii. 25 per cent of the expenditure in the form of grant on brand publicity undertaken abroad, provided such publicity campaign, is not sponsored by an ‘Approved Organisation.

d. Foreign Office: The export houses are also eligible to claim 20% of the expenditure on establishing offices abroad, after-sales service units and staff for an initial period of three years. This is subject to certain conditions and upper limits upto 25 per cent.

e. Show-rooms: The fund may also grant the following expenditure to an export house for putting up show rooms in India for display of their goods for the benefit of Overseas buyers:

i. 20 per cent for establishing office and staffing.

ii. 20 per cent for setting up show rooms and cost of exhibits subject to certain conditions and upper limits.

J. Package Assistance to Small-scale Industries:

Several State Governments have offered incentives for attracting industries into their areas and to give a fillip to existing industries. A brief account of the salient features of such facilities and incentives offered by the various State Governments is given below:
a. Feasibility Project Reports: The feasibility project reports prepared for small-scale industries are made available to selected and deserving local entrepreneurs free of cost.

b. Land and Building: Industrial Development Corporation develops land and other facilities such as power, water, roads and allot land and buildings to parties on long-term lease, outright sale and hire purchase basis. For small industries, factory sheds in industrial estates are allotted on rental basis. The Governments have subsidised economic rent for new industrial units upto 50 per cent for a specified period.

c. Marketing Facilities: A central purchase organisation on the lines of DGSED has been set up by the State Governments. This centralised purchasing organisation gives price concession to the local units. A list of items is also prepared by the Industries Department for reservation of such items manufactured by the local small-scale units for purchase by the Government for specified period at negotiated rates.

d. Tax Concession: The Government examines the specific proposals for giving concession on sales tax where it finds that due to difference between the state tax and central sales tax, purchaser prefers to buy manufactured goods from outside the state. The Government also examines the exemptions of sales tax on industrial raw materials so that the goods manufactured in a particular state can compete with those manufactured outside the state.
e. Power Tariff: Industrial consumers are not charged for extension of power lines except for the length and cost of equipment which are with the private premises of the consumer.

f. Financial Assistance: The Government participates in share capital of private and public companies for starting a developing industry in the state after studying the project reports or a feasibility report on merit of each case.

g. Technical Guidance: Industries departments have been reorganised and expanded suitably to ensure availability of technical guidance, development activities and follow up action in connection with the industrial development of the states.

h. Training: The Government gives assistance for training of local youth in industries as apprentices, provided the employer gives guarantee of employment after completion of successful training.

i. Guarantee for Loans: The Government considers favourably guaranteeing loans to be raised by new industries with a view to raise borrowing capacities on mortgage of their assets.

j. Contribution towards cost of Feasibility Study: Certain State Governments make upto 75 per cent contribution towards the cost of preparation of a feasibility study done through an agency approved by them.
CONCLUSION

In pursuance of the policy of promotion of SSI, it was realized that in the face of unequal competition from LSI, SSI needed some protection to overcome its weakness. Regarding reservation of products for SSI, the same can be withdrawn in a phased manner so that existing SSI owners get ready mentally and get time to switchover. The manifold expansion and growth of infrastructural facilities have helped the development of SSI sector. Besides SISI, a number of specialised institutions like tool rooms, Product and Process Development Centers have been established by or with the assistance of the Central Government. The Regional Testing Centres established by SIDCO are rendering useful services to SSIs to improve their products’ quality. The concessional credit to SSI being made available by various central and state level organisations have helped the SSI sector, to overcome their bottlenecks in the field of finance. Yet it is found that these funds for the developmental programme seem to be quite inadequate. The resources are thinly distributed among expanding institutions. The financial resource crunch is seriously hampering expansion work, technical guidance and staff training. Hence the country has to go a long way in finding the gap and formulate modalities to reach the ever increasing number of SSI units and their needs.
REFERENCES


2. Ibid, p.20.
