The term "Economic Development of a Country" connotes maximum utilisation of natural and human resources that are available within a country for the purpose of increasing production, per capita income etc. Economic development includes development of agriculture, industry, mineral resources, forestry etc.

Existence of a large sector of small industries has been the major aspect of the industrial structure of most of the developing countries. This is mainly because the developing countries lack required capital resources and also the technical knowhow. India, too, is not an exception to this.

Though, the industrial structure of India is a complex of large and medium units on the one hand and the small units on the other, in the last twenty-years or so, "the Small Scale Sector has grown so big in size, sophistication and modernity", that, the Development Commissioner, Small Scale Industries, adds, "it will be a misnomer to call this sector of Industries SMALL. They are small only because they are owned by small men with small means and their scale of operation is small, but taking this sector as a whole, it is as big as any other important sector of our national economy."(1)
WHAT IS A SMALL SCALE UNIT OR INDUSTRY

When we refer to the phrase "Small Scale Industry" or a Unit, it is confused for a variety of its connotations.

A number of definitions have been made, till now, of the "Small" Unit. In the beginning, both the "Employment of Labour" and the "Motive Power" were interlinked e.g. -

(1) The ECAFE - Described Small Unit as "one which is operated mainly with hired labour usually not exceeding fifty workers in any establishment, not using any motive power in any operation, or twenty workers in an establishment using power."

(2) The Statistical Office of the UNO suggested that the term Small Scale be used to refer to firms not using mechanical power, employing twenty or fewer persons.

(3) The Industries (Development and Regulation) Act, 1951, amended in 1953 and 1957 also adopted the same criteria of the number of workers employed as fifty when using power and one hundred when not using power.

Some of the foreign countries have defined the Small Industry in different ways convenient to them. Let us study a few of them.

(4) Japan for example, the leading country, as far as the Small Industry Development is concerned, defines the Small Scale Industry differently, depending on the purpose for which the concept is used, e.g. A small enterprise is defined as one having regular employees, numbering -
(a) 300 or less in manufacturing, mining and transportation Units,
(b) 30 or less for service industries,
(c) 1000 or less for pottery manufacture, and
(d) 600 or less for textiles etc. (4)

(5) In the United States, the Small Business or Industry is defined, as per Small Business Act, 1958, as "one which is independently owned and operated and which is not dominant in its field of operation." In addition, the Administration, while elaborating the definition, also utilizes, other criteria such as, number of employees engaged in the unit and volume of business in Dollars. (5) For instance, the Department of Commerce, U.S.A., defines Small Industry as - "manufacturers are within the Census Classification of Small Business if they employ less than 100 people. That could place the dividing line, dollar-wise, at from half a million to a million in annual sales, depending on the percentage of total value added by labour; with total assets averaging in the neighbourhood of $250,000 and net worth around $100,000". (6)

Different countries, thus, define, their concept of Small Industries in different ways, depending upon their economic structure and administrative suitability. The definition once adopted need not remain permanent, and it will vary from time to time, with the change in value of money, improvement in technology and also change in the national objective for developing small scale industries. For example,
in very recently, the definition was
follows - "Investment in Plant and Machinery
5,00 lakhs may be considered as a Small Scale
Industry." But, as stated earlier, due to fast changes in
the technology, economic structure etc., we also had to
enhance the limit later. Now, according to the latest
definition, In India, "Small Scale Industries" include all
industrial units with a capital investment of not more than
Rs. 7.5 lakhs, irrespective of the number of persons employed.
Capital investment for this purpose will mean investment in
Plant and Machinery only.

In case of small enterprises, which are ancillaries to
specified large scale industries, the limit of capital
investment on machinery and equipment has been fixed at
Rs. 10.00 lakhs."(Refer No. 7A).

NEED FOR THE SMALL SCALE INDUSTRY

Small industry has been an inevitable part of the
economic and industrial structure of developing countries.
We, in India, also have accepted the principle of industrial
growth through the medium of Small Scale Units. The Small
Sector, according to our present policies, has been denominates
as a "Priority Sector". There are many factors which have
influenced this approach. Let us study these factors one
by one.

(1) Ours is a poor country. Hence markets for many
sophisticated commodities would be small, at least for a few
decades to come. It will be economically difficult for a few large units to serve these markets. Small Units already established in such areas can very well serve such markets.

(2) Capital resources in our country are relatively scarce. Thus, full-fledged development with the help of only large scale industry is not feasible for us. Hence, large scale industrial development should be supplemented by the development of the Small Scale Sector.

(3) Both, for the eradication of mass unemployment on one hand and on the other to secure a desirable shift in the occupational structure, from agriculture to industry, development of small sector has become a must, especially in a decentralised manner.

(4) Concentration of industries in and around urban areas has led to concentration of income and wealth in those areas, making the economy unbalanced and lop sided. This has necessitated stress on emergence of a bigger sector of dispersed Small Industries. (8)

**IMPORTANCE OF THE SMALL SCALE INDUSTRY**

Importance of a Small Scale Industry to the national economy can be better understood with reference to their different advantages. Following can be stated as the distinct advantages of a small unit:

(1) It requires small initial capital, as the small industry is essentially a labour intensive industry.
(2) It generates employment opportunities at relatively lower capital cost.

(3) It does not require very high level of technical, managerial and supervisory skills.

(4) It also serves as a training ground for a large number of potential entrepreneurs and managers.

(5) If given proper guidance, encouragement and opportunities, the small manufacturers can prove their competence in organizing and managing small units at a higher level of efficiency.

(6) Small industries help in dispersal of ownership.

(7) It can use semi-skilled labour, certain traditional skills with advantage and, as such, are less dependent on highly skilled workers.

(8) Wide-spread location of small industries can check emigration of people from rural areas to urban areas, and can help to put a check to problems in the economy of the developing countries arising from unplanned urbanisation.

(9) Decentralisation of small industries will help to reduce regional disparities and will promote balanced regional development.

(10) It is relatively easier for a small unit to adopt modernisation in plant and machinery by introducing intermediate technologies.

(11) A small industries sector emerging out of the traditional agricultural economy, if given proper facilities
(viz. educational, financial and technological) can help emergence of a total modern industrial sector for the country.

(12) Products which are small, light, requiring only moderate precision, are frequently made on light equipment etc. for which the principle of multiples is achieved at a lower volume of output in small units.

(13) Mass production of specialised components or end products is relatively more easy in the small scale and at lower cost.

(14) Products made in short runs and small lots can be manufactured at lower costs by a small industry.

(15) Without many difficulties, product development can be achieved, properly tailored to the specialised customer needs.

(16) The relations between the labour and the management remain more cordial, personal and many problems of the labour management could be avoided with ease.

(17) A small industry always has more operating flexibility and lower overheads than a bigger unit.

(18) A small industry usually gives a better response to growth opportunities.

"An efficient small industrial sector can substantially enhance the efficiency of large factories by relieving them of the necessity of making certain parts of performing certain operations, which for some reason or the other, the smaller outside unit can provide at lower costs." (9)
Thus, the development of small scale industry may facilitate more efficient use of resources for the production of desired goods, thereby raising output, real income and living levels of people in a decentralised manner.

**LIMITATIONS OF SMALL SCALE INDUSTRY**

Now, the question arises, that when the small sector is so important a factor to the national economy in any developing country, "why does the growth of this sector not take place at the expected rate"? This is because, there are certain limitations which impede or rather slow down the growth of the small scale sector. These limitations are as under -

(i) The non-availability or the dearth of capital.

The small entrepreneur's handicap is that he is unable to get an easy access to capital through the organised money market. Securing short or long term credit at fair rate of interest is a problem to him.

(ii) A small unit is never in a dominant position to determine the market price. It is hardly in a position to bargain while purchasing the raw materials or selling the end-products.

(iii) Due to low income and lower proportion of monetized income the limitations are automatically imposed in finding new markets or expanding the existing markets for their products.

(iv) Costly transportation restricts the movement of products of small industries to their local areas only.
LIST OF SOURCES AND REFERENCES

CHAPTER ONE

1. How Big is Small Scale Sector,
   By K. L. Nanjappa,
   Development Commissioner, S.S.I.,
   Economic Times dated 29-5-72.

2. Small Scale Industries,
   By C. U. Rao,
   Printed in 1965,
   Chapter I, Page 3.

3. Small Scale Industries,
   By C. U. Rao,
   Printed in 1965,
   Chapter I, Page 5.

4. Laghu Udyog Annual,
   Published, 1969,
   Chapter 8, Pages 409 and 410.

5. Laghu Udyog Annual,
   Published in 1969,
   Chapter I, Page 5.

6. Small Scale Industries,
   By C. U. Rao,
   Printed in 1965,
   Chapter I, Page 7.

   Development Commissioner, S.S.I.,
   G.O.I., New Delhi, Page 4.

8. Laghu Udyog Annual,
   Published, 1970,
   Chapter I, Page 7.

9. Modern Small Industry for Developing Countries,
   By Eugene Staley and Richard Morse,
   Part 3, Page 232,
   Published in 1965.

7A. In view of the increase in the prices of capital equipment
    the Government of India has revised the definition of the
    Small Scale Industry and that of Ancillary Industry, in the
    year 1975. Accordingly, the ceiling on investment in plant
    and machinery of a small scale unit has been raised from the
    present level of Rs. 7.5 lakhs to Rs. 10.00 lakhs and that
    of ancillary unit from Rs. 10.00 lakhs to Rs. 15.00 lakhs.
    (Government notification and press note no. 21(II)/Lic-Pol/74
    dt. 19th May, 1975).