CHAPTER – 2
A BRIEF REVIEW OF LITERATURE

2.1 Review of Literature:

The review of literature forms an important part of research because it deals with critical examination of various published and unpublished works related to the study undertaken. Therefore, the brief review of various works of authors as well as several committee reports related to the financial and institutional support to SSI have been highlighted.

Nayak Committee (1992)\(^1\) was constituted by the R.B.I in 1991 which submitted its report in 1992 to examine the adequacy of institutional credit to the SSI sector and related aspects. This committee found that banks have insufficiently serviced the working capital needs of the SSIs particularly that of village and thinly enterprises. Moreover there is need for setting up of specialized bank branches for small scale industries. The absence of which as led to serious bottleneck. Further the system of providing term credit and working capital by two kinds of institution. Banks and SFC (state financial corporation) has given rise to host of problems of cooperation among them.

K. Ramesha (1994)\(^2\) examined the trends in credit supplied to small scale industries by schedule commercial banks (SCBs) and state financial corporations (SFCs) and their inter state disparity. The study found that commercial banks continue to play an important role in financing. It sector has in a way failed to meet the increasing credit requirements of SSI sector. The inter state disparity in the distribution of
credit have also widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relative higher growth rate as compared to bank credit (Short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be a sort of complement relationship between banks and SFCs in financing small sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit.

J. Chandra Prasad and V Narayana Rao (1996)\(^3\) in their study had observed that finance stands as a major bottleneck in the way of export activity of SSI sector. Some units, though produce exports potential items could not tap the market due to lack of finance and the consequent export promotion handicap.

A. Ramakrishna Rao, K. Rajgopal and V V. Munniswamy (1997)\(^4\) studied the effect of project delay on project productivity in the small scale units. They concluded that the difference of actual case flow and planned cash flow is one of the reasons for delay of project so, banks and financial institutions should have regular interaction with the entrepreneurs in order to reduce delay in disbursements of loan.

Technically qualified staff should be associated in project appraisal. During the implementation stage, sickness of SSI units during the project stage is due to the shortage of funds at the right time. That is why the small units require timely credit rather than cheap credit. The schedule of higher investment activities at the end is a better schedule than the schedules of project with higher investment at the beginning.
Abid Hussain committee (1997) on small enterprises examined and suggested institutional arrangements and policies and programmers for meeting long term and short term requirements of the small enterprise. The committee found that the reservation policy of specific product for exclusive manufacture by small scale industries had not served much purpose as most industrialization had occurred in items not reserved for small scale industries. Moreover, it had resulted in low efficiency and productivity and restrictive the expansion and exports potential of important industries, viz light engineering. Food processing, textiles and other. Credit to small scale industries had become more expensive after interest rate deregulation institutions and regulatory policies responsible for technical assistance, human resource development, industrial standardization etc. expected to play a productive role in halting technological obsolescence (particularly among tiny units) did not prove effective.

D.D. Mali (1998) in his study has observed that small and medium enterprise (SMEs) increasing competition in current scenario “quality withhold the key” along with it they have to specifically improve in the areas on management, capability, marketing, product diversification technological up gradation, changes among offices of banks and financial institution for smooth credit flow to the small and medium enterprise (SMEs) and micro enterprise. Moreover, new small and medium enterprises (SMEs) may have to move from slow growth area to high growth area and they have to form strategic alliance with entrepreneurs of neighboring countries. Data bank industries to guide the prospective entrepreneurs including investors abroad are also needed.
S.L. Kapur Committee (1998) studied the various problems related to the credit flow to SSI sector and to suggests appropriate measures for their redressed. The committee found the performance of commercial banks unsatisfactory. In respect of small scale industries financing persisted with regard to non adherence of working capital norms as suggested by Nayak Committee and poor flow of credit to tiny units where the loom existed. Banking staff management was not well trained in the task of appraising small scale industries projects.

S.K. Mitra (1998) in his study observed that the main factors affecting flow of credit to the SSI sector could be broadly categorized into two segments. One set of reasons indicate shortcoming inherent in SSI like a weak financial base which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital. Improper maintenance of book of accounts, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institutions etc. The second set of reasons are attributed to the operational restraints and perceptions of banks and financial institutions. Like the administrative cost of lending to small borrowers are relatively high, thereby resulting in a disincentive to SSI units. High mortality in the interest rate does not motivate the financial institutions intrinsically to invest in SSI units etc.

V.S. Kaveri (1998) in his study made an attempt to discuss issued related to bank finance to small scale industries. He concluded that due to economic liberalization and financial sector reforms small scale industries have a bright future.
provided they remain economically viable. Modernization is the need of the hour for which they will require increasing credit from the banking sector. Therefore, they should be cordial relationship between banks and borrowers. Moreover, there is need for educating both, for timely and adequate flow of institutional credit to SSI sector.

C. Sivarami Reddy, P. Mohan Reddy and Harinatha Reddy (1999) made an analysis of various sources of working capital financing in small scale industries group so as to ascertain the significance and dependability of each of these sources. They conclude that in majority of SSI excessive lands to financing of working capital was restarted to such a situation deprives funds for long terms purpose on the one hand and adversely affects their profitability on the other. The long term funds are excessively used to finance working capital needs of small scale industries as these units were not able to tap required funds for working capital from commercial banks.

N. Rajendra (1999) made a study to examine the various kinds of assistance given by the institutions with the prime objective of identifying institutional assistance for the development of small scale industries and the problems faced by small scale industries of district. He concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. Moreover, the small enterprises also faces raw material, marketing technological and administrative problems. There were complicated procedures in availing loans from financial institutions and no coordination exists between the promotional institutions and government agencies. Industrial
sector in India is dominated by SSI but this sector suffers from technological backwardness therefore, for technological upgradation small enterprises requires ample financial and technical support from the government agencies and other financial institutions.

Sunni George (2000)\textsuperscript{12} in his study of small scale industries and economic liberalization concluded that all is not well with small scale industries even today. Protection policy has lead SSI to remain small to become more inefficient with product quality. It is not protection but competition that should be the rule of the day. Efficient management, strong marketing strategy to cope with international marketing standards production of world class products with top quality, alone can infuse in the SSI sector. The government should provide infrastructure at reasonable cost, and in small scale sector where we have traditional skills in finishing and manufacturing. Government must liberally allow import of raw materials to attract foreign investors who can set up comparatively low cost precaution base in India.

J. Revathy & K.V. Rao (2001)\textsuperscript{13} in their study found that lack in access to credit represent a strong restriction or acts as a hindrance on the expansion of SSI establishments. The proprietors themselves thought financing as their most pressing input constraints. It was found that borrowed funds occupied a dominant position in the total sample units. Share capital, reserves surplus have contributed to the extent of around one fifth only. Viewed from the point of the structure of liabilities, current liabilities and provisions have occupied 50.3 per cent. The relationship between short term and long term liabilities revealed that short term liabilities
had occupied a place of prominence. Short term liabilities were found to be four times more than the long term liabilities in the sample units. This clearly shows the dependence of small Business Units (SBUs) on temporary sources of funds than permanent ones.

Valsamma Anthony (2002)\textsuperscript{14} in his study of the prospects and growth of small-scale industries in India highlighted that adequate and timely availability of working capital and marketing avenues for small-scale industries products should be ensured for improving their competitive strength in the domestic and global markets. There is need for providing better information and excellent networking for the small scale industries besides development of quality infrastructural facilities.

The small-scale sector can go on wings with the sincere efforts of the entrepreneurs, the dedicated functioning of the promotional agencies without red tape or bureaucratic delays and pragmatic approach by the government.

Nowadays the Lead Bank has expanded new schemes of Technology Development and Modernisation fund, with a corpus of Rs. 200 crores for direct assistance of small-scale industrial units in the sector to modernize their production facilities and adopt improved and updated technology so as to strengthen their export capabilities.

Credit Related Development Scheme (2004)\textsuperscript{15} based on Kapur Committee, recommendations specialized bank branches for SSIs lending have been setup. By March 2004, there were 417 such bank branches in the country but they have not achieved the desired objectives. It was also found that
availability of credit is a major problem.

To check this problem standing Advisory Committee of RBI in February 2004 was constituted to reduce the credit cost and the finance Minister announced the creation of SSI fund of Rs. 200 crores in January 2004.

Some other credit related development in years are preparing of exclusively credit plan for 60 clusters by the banks. These plans merged with Annual Credit Plan state.

IMPORTANT RECOMMENDATIONS OF DR. OJHA COMMITTEE (2004)\textsuperscript{16}

The Committee opined that the Lead Bank Scheme has helped in bringing a great deal of co-ordination between Banks and Government Departments through forums established at the district and state levels. But, as the district development plans and branch performance budgets could not be advocated with the DCPs and AAPs prepared under the scheme, they could not acquire the full status of operationally relevant plans for implementation. The lack of involvement of Branch Managers in the preparation of plans was also responsible for the plans not becoming meaningful to them. Under these circumstances, an alternative system as suggested in the Seminar appears to be more conducive to develop productive lending.

The issue of demarcation of area as advocated by the working group on multi-agency approach on Agricultural Finance was formalized with the advent of SAA. The committee also expressed that such an approach would have distinct advantages in the dispensation of credit. Firstly, it enables the branches to pay concentrated attention on the
development of the area. Secondly, as the multi-agency approach has to some extent, resulted in duplication of efforts, a new approach may help in avoiding the same. Thirdly, the scattered lending over wide areas would give way to organized lending. Fourthly, it would make it easier for the Branch Managers to effectively monitor the end-use of credit and assess the impact on increase in the levels of production, productivity and incomes of the beneficiaries. Fifthly, as the plans would be drawn up by the branch manager, he would develop a sense of pride, motivation and involvement in the success of his plans.

2.2 Role of Small Scale Industries in Economic Development:

It is well-established fact that the SSI plays an important role not only in the growth of global output and world trade but also in employment generation and balanced regional development. The growth of the sector has a catalytic effect on the overall growth of the economy. As per the Govt. of India’s Tenth Five Year Plan (2002-07) achieving and sustaining high growth rate and employment will require sharp set up in industrial and services growth. Now there is wide spread recognition within India that vibrant SSIs are potentially a key to engine of economic growth, job creation and greater prosperity. So we can say that small industries play a vital role in resurgence of an economy.

Definition and Concept of SSI:

Under the section II B of Industries (Development & Regulation) Act 1951, the SSI is defined as a unit, which has investment in plant and machinery not exceeding Rs. 100
lakhs (Rs. 10 million). There exists a definition for micro enterprises popularly known as tiny units. Actually tiny unit is one having investment in plant and machinery not exceeding Rs. 25 lakhs (Rs. 2.5 million). Industry related to services and businesses are also included within the purview of SSI sector in their fixed investment not exceeding Rs. 10 lakh (Rs. 1.0 million).

As we know that limit is revised from time to time to offset the impact of inflation and to meet technological needs.

In India, the first official criterion for SSI dates back to the Second Five Year Plan when it was in terms of gross investment in land, building plant and the strength of labour force.

So Small Scale Industries Board defined it as "A unit employing less than 50 person, if using power and less than 100, without use of power and capital assets not exceeding Rs. 5 lakh". Later this has been revised again by SSIB, and a new definition has come that small scale industries will include all industrial units with a capital investment of not more than 75 lakh irrespective of the no. of person employed.

When Indian Government announced Industrial Policy in July 1980, the small scale industrial unit was defined as a unit engaged in industrial activity and having original investment in plant and machinery upto Rs. 20 lakh.

Again, in July 1991, the government announced industrial policy, investment limit for tiny units have been increased from 20 to 25 lakhs accepted the recommendation of Abid Hussain Committee.

Later Govt. also announced increase in the investment limit
in plant and machinery of SSI i.e. from 60 lakh to 70 lakh and to Rs. 75 lakh respectively which extended to 3 crores in 1997 for such industrial units.

On Feb. 17, 1999 the Union Government reduced this limit of 3 crores to Rs. 1 crore. The investment ceiling for tiny units remained unchanged at Rs. 25 lakh.

**Registered and Unregistered SSI units:**

"In Small Scale Industrial Sector the registration is voluntary. The registration is done with the District Industries Centres (DICs), firstly on temporary basis and subsequently on the request of the concerned entrepreneurs, on a permanent basis. However, as far as manufacturing units are concerned, their registration is mandatory under sections 2m(i) and 2m(ii) of the Factories Act. Section 2m(i) implies to units engaging 10 or more workers and using power whereas section 2m(ii) refers to units engaging 20 or more workers and not using power. Some state government notify certain industrial activities for mandatory registration, although they do not confirm to the criteria laid down under section 2m(i) and 2m(ii). Such registrations are done under section 85(i) and 85(ii). Section 85(i) refers to units engaging less than 10 workers and using power and section 85(ii) refers to units engaging less than 20 workers and not using power".

**2.3 Distinction between Small Scale and Cottage Industries:**

The main difference between small scale and cottage industries are:

1. Small-scale industries are mainly located in areas as separate establishment while the cottage industries are
generally associated with agriculture and provide employment in rural areas.

2. A small-scale industrial unit employ a wage earning labour and production is done by the use of modern techniques. While a few cottage industries, which are export oriented, have been included in the category of small-scale sector so that facilities provided to small units may also be given to export oriented cottage industries. There is no wage earning person employed.

3. Small scale industries produce goods with partially or wholly mechanized equipment, employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of the members of the family.

4. In small scale sector there is capital investment. While in cottage industries, it possesses negligible capital investment. Family members run cottage industry on full or part time basis.

2.4 Growth of Small Scale Industries in National Context:

Small Scale Industrial sector forms an important constituent of unorganized manufacturing sector in India. These units emerged as an engine of growth in several countries and also in the developing countries like India. In India they have emerged as a vibrant and dynamic component of the economy.
Table-2

Growth of SSI in National Context

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units (in lakhs)</th>
<th>Exports (Rs. crores)</th>
<th>Production (in crores)</th>
<th>Employment (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Current prices</td>
<td>Constant prices</td>
</tr>
<tr>
<td>2000-01</td>
<td>101.1</td>
<td>69,797</td>
<td>261,289</td>
<td>184,401</td>
</tr>
<tr>
<td>2001-02</td>
<td>105.2</td>
<td>71,244</td>
<td>195,613</td>
<td>195,613</td>
</tr>
<tr>
<td>2002-03</td>
<td>109.2</td>
<td>86,013</td>
<td>210,636</td>
<td>210636</td>
</tr>
<tr>
<td>2003-04</td>
<td>114.0</td>
<td>94,644</td>
<td>357733</td>
<td>228,730</td>
</tr>
<tr>
<td>2004-05</td>
<td>118.59</td>
<td>124,417</td>
<td>418,263</td>
<td>251,511</td>
</tr>
<tr>
<td>2005-06</td>
<td>123.32</td>
<td>N.A.</td>
<td>471,244</td>
<td>275,581</td>
</tr>
</tbody>
</table>

Source: Office of the Development Commissioner (SSI), Govt. of India.

Table-2 shows During 2000-01 to 2005-06, the small-scale sector is estimated to have recorded from 261,289 crores at current prices in 2000-01 to 471,244 crores at current price in 2005-06. The number of units in small-scale sector is estimated to have increased to 123.42 lakhs unit at end March 2006 as compared to 101.10 lakhs units at end March 2001. Employment in the sector estimated at the level of 294.1 lakh at end March 2006 as compared to 239.09 lakhs person employed in small-scale sector in 2000-01. The exports at Rs. 124417 crores during the year 2004-05 up from Rs. 69,797 crores during the year 2000-01 is as shown in Table 2.
"Policy initiatives for promoting small enterprises":

- For allowing small enterprises to grow, 193 items reserved for exclusive manufacture in the small-scale sector. Dereservation in 2004-05 to bring down the total number of reserved items to 506. After consultations with stakeholders, more items are proposed to have dereservation in 2005-06.

- As announced in the Budget 2005-06, the turnover eligibility limit under the General Small Scale sector excise Exemption Scheme raised from Rs. 3 crore to Rs. 4 crore.

- With a view to integrating small and medium enterprises, facilitating their growth and enhancing their competitiveness (including measures to reduce the rigours of the "Inspector Raj" faced by the sector), the 'Small and Medium Enterprises Development (SMED) Bill 2005' introduced in the Lok Sabha on the 12th May 2005.

- A 'Policy Package for Stepping up Credit to Small and Medium Enterprises' announced on 10th August, 2005.

- Under the 'Credit Linked Capital subsidy Scheme' (CLCSS) for technology upgradation, amendments made with effect from September 29, 2005, which, inter alia, raise ceiling on loans from Rs. 40 lakh to Rs. 1 crore and their rate of subsidy from 12 per cent to 15 per cent.

- RBI formulated the scheme of 'Small Enterprises Financial Centers' (SEFC) to encourage banks to establish mechanisms for better coordination between
their branches in the identified clusters for more efficient credit delivery.

- To facilitate technology upgradation and enhance competitiveness, the investment limit (in plant and machinery) raised from Rs. 1 crore to Rs. 5 crore in respect of 69 items reserved for manufacture in the small-scale sector and for all items in the drugs and pharmaceutical sector. Notification to this effect to be issued shortly.

- A new 'Package for Promotion of micro and Small Enterprises' under formulation to include supplementary measures to encourage adequate credit flow, provide further incentives for technology upgradation, infrastructure and marketing facilities, capacity building of micro and small enterprises, and support to women entrepreneurs.

The reason for which small scale industry should be assigned an important place in the development of the Indian economy having in, these days of large scale industry are summed up below.

1. Predominance of SSIs
2. Continuous employment to agriculturist.
3. Reduction of excessive pressure on land.
4. High employment potential.
5. Small capital required.
6. Decentralization of possible industries.
7. Competitive advantage.
8. Law incidence of fluctuation in employment.
9. Low social cost.
10. Prevention of concentration of economic power.
11. Mobilization of latest resources.
12. Suitability in Indian condition.
13. Ancillaries to target industries.
14. Short gestation period.

For all these reasons SSI plays an important role in the program of industrial development of India.

2.5 General constraints for proper growth of SSIs:

- Inadequacy of credit resulting into sickness of the unit because of their inability to provide collateral insecurity.
- Financial institutions charges high interest rate.
- There is lack of specialized managers in SSIs.
- Low level of technology
- Due to increasing input cost unable to provide quality product.
- Absence of research and development facilities in SSIs.
- Red Tapism
- Low level of technology
- Low financial or capital for advertising.
- Absence of consortium leading to increasing cost of raw material
- There is lack of appreciation of financial data and
relevant information as required by the banks and financial institution.

- Poor infrastructural base.
- Lack of personnel training
- Lack of design development centres
- The delay in release of payment by the larger units to small-scale units.
- No proper support from financial institutions to revive the loss making units.
- Under utilization of capacity
- Insufficient export credit.
- Poor marketing skill
- The SSIs are not in position to maintain proper books of Account because of lack of knowledge.

2.6 Major Constraints of SSIs:
Some of the major constraints in the growth of SSIs are as follows;

2.6.1 Finance and credit constraint:
The scarcity of finance and credit is the main obstacle in the development of small-scale units, which results sickness of SSI and ultimate closure. Because of weak financial base which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of books of account, inability to provide collateral security, lack of appreciation of financial data required by the banks or financial institutions intrinsically to invest in SSIs units etc. and others, which we have discussed above in general
constraints.

The govt. of India recognized the importance of credit flow for the development of SSI and this was a major motivation for bank nationalization setting up of State Finance Corporation, Lead Bank and other institutions. Banks were mandated to provide 40% of their lending to the priority sector.

2.6.2 Infrastructural Constraints:

Keshav Das and Sebastian Morris found in their survey that about 1063 firms, 716 firms faced significant infrastructural problem. The most severe constraint is power. Transportation, communication and infrastructure are also universal constraint. In many Small Scale Units (particularly those relating to beverages, tobacco, basic chemicals, paints and varnishes and drugs) water supply is fast emerging as an important infrastructure constraint.

2.6.3 Marketing Constraints:

One of the main problems faced by the SSI is marketing. The SSIs units often do not possess any marketing organization and consequently their product as compared are unfavourable with the quality of the product of large-scale industries. Because of shortage of capital and financial resources, these units do not have adequate staying capacity.

To check small scale units from competition from large scale units the government has reserved certain items, for SSI sector. The Trade Development Authority and State Trading Corporation helps the SSI, in organizing their sale.

2.6.4 Technology Constraints:

For small scale sector technology is also a challenge. Majority
of the units are still carrying on with outdated technology. So, there is need for modernization and technology upgradation with a view to reduce cost and prices and increase competitive power of the product of this sector.

2.7 Institutional Support for Financing Small Scale Sector:
The central government and state government for the development of SSI sector in the country promote a large number of institutions and organizations. The main Central Government organization are as follows:

2.7.1 Lead Bank Scheme (LBS):
This scheme was initiated in December 1969. Under the scheme, each district had been assigned to different banks (public and private) to act as a consortium leader to co-ordinate the efforts of banks in the district particularly in matters like branch expansion and credit planning. Certain sectors which were neglected were given a priority status and banks were asked to provide credit to these sectors in a more concerned way.

Forums under Lead Bank Scheme for Co-ordination and Monitoring

Lead Bank Scheme (LBS) was evolved as a framework to be more responsive to the needs of the rural economy. The objectives of the scheme cannot be achieved unless rural lending is properly tied to well designed programmes of development. This calls for effective co-operation and co-ordination not only between credit institutions but also between the credit institutions on the one hand and the concerned government and other development agencies on
the other. Appropriate forums had to be created where these two agencies can meet periodically to discuss operational issues arising from the implementation of scheme evolved by both government and the Banks. Initially forums were setup at the District and State Level.

2.7.2 Small Industries Development Bank of India (SIDBI):

For meeting the long standing demand of a small scale industries for a separate Apex Bank to provide financial assistance to them, the government established under the Small Industries Development Bank of India Act 1989 as a wholly owned subsidiary of IDBI, i.e. 'SIDBI'. It commenced its operation from April 2, 1990 by taking over outstanding portfolio and activities of IDBI pertaining to the small scale sector.

The main function of SIDBI include:

- Technological upgradation and modernization of existing units.
- Expanding the channels for marketing the product of SSIs
- Promotion of employment oriented industries especially in semi-urban areas to create more employment opportunities.
- Refinance of loans and advances
- Discounting and rediscounting of bills
- Granting direct assistance and refinance of loans
- Providing services like factoring leasing etc.
• Extending financial support to small Industrial Development Corporation.

2.7.3 Small Industries Development Organization (SIDO):
SIDO was established in 1954 on the recommendations of the Ford Foundation team of Government of India for the development of SSIs. It is headed by the Development Commissioner (SSI) who is an ex-officio Additional Secretary to the Government of India. That is the reason, the office of the Development Commissioner (SSI) is commonly known as SIDO.

It is the nodal organization, which implements Central government policies. It operates through a network of 28 small industries services institutes (SISIs), 30 branches of SISIs and a host of other centres. The main function of SIDO is as follows:

• It has been evolving an all India policy and programme for the development of SSIs.

• Maintaining liaison with different state and central Ministers, Planning Commission, RBI and financial institution.

• Coordinating the various programmes and policies of State Government.

• Dissemination of economic information.

• Assisting SSI units in technological upgradation by providing quality tool facility.

• Increasing efficiency of SSI units by providing consultancy and common service facilities in the areas of design and production of tools
- Monitoring the Prime Minister Rozgar Yojna (PMRY)
- Helps in preparation of project file.
- Helps in skill development
- Helps in entrepreneurship Development and Management Training.

2.7.4 Small Industries Services Institutes (SISIs):
The SISIs were set up in state capitals and other industrial cities in the country. There are all together 28 SISIs and 30 branches SISIs in India. Their performances are overseen by the office of the DC (SSI). The main functions of SISIs are as:

- Technological development services and consultancy services
- Interface between Central and State Government.
- Entrepreneurship Development programme
- Promotional programmes
- Ancillary development
- Promotion of export

2.7.5 Small Scale Industries Board (SSIB):
SSIB was set up in 1954. This board facilitates the coordination and inter institutional linkage for the development of SSI sector. Union Minister of India Industries is the Chairman of SSIB. It also includes members' state Industry Ministers, selected members of Parliament, Secretaries of various department of Central Government, Financial Institutions, Public Sector Undertaking (PSUs), Industry Association and eminent experts in SSI sectors are as the member.
2.7.6 Product-cum-Process Development Centre (PPDCs):

PPDCs have been set up to look into specific problems of an industry, develop new technologies, render technical support services, and manpower development. PPDCs have been set up at 6 places to provide services to SSIs. These are at Meerut (sports goods), Ramnagar (electronic), Agra (foundry), Bombay (electrical instrumentation), Firozabad (glass industry) and Kannauj (essential oil).

2.7.7 National Small Industries Corporation (NSIC):

The Government of India established NSIC in 1955, it's aim is to promote aid and foster the growth of SSIs in the country. It helps the SSI through its various programmes and project. NSIC plays a very important role through modernization, technological upgradation, quality consciousness, strengthening linkages with large and medium enterprises and boosting exports of products from small enterprises. Some of the services of NSIC are -

- Provide machinery and equipment through Hire Purchase scheme.
- Provide Machinery and equipment through Lease scheme
- Provide finance to SSI for marketing, bill discounting, raw material purchase and for export.
- Marketing assistance
- Assistance for procurement of raw material
- Technology Transfer Centres
- The main State Government agencies are as follows:
2.7.8 State Financial Corporation (SFCs):
Under the SFCs Act SFCs were set up in 1951 for the development of small and medium enterprises. The SFC provides various services to SSIs through -

- Term loan
- Guarantees
- Direct subscription to equity
- Seed capital assistance
- Discounting of bill of exchange

Under the single window scheme of SIDBI, SFCs have also extended the working capital along with term loan to mitigate the difficulties faced by SSIs in obtaining the working capital limits on time.

2.7.9 District Industries Centre (DICs):
In May 1978 DIC was initiated for the promotion of small scale and cottage industries beyond big cities and state capitals to the district head quarters. It was started as a centrally sponsored scheme with the aim of developing small, tiny and cottage industries in the country. Main services of DICs are:

- Provide machinery and equipment
- Economic investigation of local resources
- Provide raw material
- Marketing
- Provision of credit facilities
- Quality input
Consultancy and extension services

2.7.10 State Industrial Development/ Investment Corporations (SIDCs/ SIICs):

The State Industrial Development Corporations are in the forefront of the industrialization in the state. SIDCs/SIICs were established under the Companies Act 1956 as wholly owned undertaking of the state government. They act as a catalyst for industrial development in their respective States. SIDCs provide land, infrastructure facilities like factory sheds, developed plots, roads, power, water supply, drainage and other amenities.

SIDCs were setup mainly to cater to the financial requirements of medium and large-scale industries. But they also provide assistance to small-scale sector by way of term loan, subscription to equity and promotional services.

2.7.11 State Small Industrial Development Corporations (SSIDCs):

State Small Industrial Development Corporations (SSIDCs) were set up under the Companies Act 1956 as State Government undertakings. They are mainly concerned with the needs of small, tiny and village industries in the State/Union Territories. SSIDCs are operationally flexible and can undertake a variety of activities for the overall development of the SSIs sector. They provide assistance to small-scale sector and act as promotional agencies. The activities of SSIDCs are both assistance oriented and promotional.

Other State level agencies that extend facilities for SSI
promotion include:

- State Infrastructure Development Corporation.
- State Export Corporation.
- State Co-operative Banks.
- Regional Rural Banks.
- Agro Industries Corporations.
- Handloom and Handicraft Corporations. The other agencies are as follows:


In 1983, the Ministry of Industry by Government of India established National Institute for Entrepreneurship and Small Business Development (NIESBUD) for entrepreneur development especially in areas of SSIs. Main functions of NIESBUD are:

- Training programmes for entrepreneur
- Arrange seminars
- Undertaking researches
- Developing training as well as teaching aid
- Provide training for women entrepreneur

2.7.13 National Institute of Small Industry Extension and Training (NISIET):

National Institute of Small Industry Extension and Training (NISIET) was set up in the early 1950s at Hyderabad for the training to entrepreneurs, managers, and various development functionaries of State Government, financial
institutions and other agencies.

And other agencies include Technical Consultancy Organizations (TCOs), Non-Governmental Organization (NGOs), Housing and Urban Development Corporation Ltd. (HUDCO), Entrepreneurship Development Institute of India (EDII) etc.

Small Scale Industries are playing a very important role in the overall development of the country. The SSI units in the country are increasing over the years. The Government has also setup various institutions, organizations and supportive infrastructure for the promotion and development of SSIs in the country. The main institutions and organizations are SIDBI, SSI Board, SIDO, NSIC, DICs, SFCs etc. Moreover, the Government has also established industrial estates, industrial areas, growth centers, industrial parks, export processing zones etc. Inspite of all these efforts the SSI are facing a lot of problems due to increasing input cost, delayed payments by large scale industries to small scale industries etc. But the major hindrance to the SSIs are getting difficult to tackle the problem of finance, the problem of marketing, problem of technology etc.
References


