CHAPTER I.

DEFINITION AND PLACE, GROWTH, PROBLEMS OF SSI IN INDIA.
Definition, Place, Growth and Problems of Small-Scale Industries (SSI)

Introduction:

The important strand to thought woven into the traditionalist ideology, is the concept of the moral superiority of self-employment and independent work to wage employment. This idea is not entirely absent in western countries. Even today, it becomes effective in western countries especially when the problems of farmers and small retailers enter into political discussion. In south Asia, and more particularly in India, the view that self-employment has special virtues is reinforced by the rigidity of a social structure within which a wage labour is treated with contempt. The craftsman in a family enterprise, though his income may be lower than that of a wage earner, can still enjoy a higher social standing. When it came to making a case for independent efforts, Gandhiji simply expounded his views which were based upon a generally accepted social doctrine.¹

One feature of Gandhiji's ideology, his glorification of self-employment so far as the masses of people in the villages were concerned, is still espoused by almost everybody in independent India.

¹. Gandhi, Rebuilding Our Villages, p. 29, quoting himself in Young India, May 2, 1929.
The industrial growth in India prior to independence, was mostly meant for requirements of foreign interests. After 1947, there was a substantial change in the industrial policy, as it had become an independent country. Our initial production effort was to be self-reliant in core industrial production items like steel, cement, coal, etc. The emphasis during the first decade of independence was, therefore, mainly on heavy industries, majority of them being in public sector.

Heavy industries no doubt helped India in achieving its goal, to some extent, of self-sufficiency and rapid progress. However, the employment problem could not be solved through development of heavy industries to the desired level.

By this time other eastern countries, particularly Japan and China, had started developing SSI to supplement role of core sector industries in their regions to achieve economic, industrial and social targets. Japan and China produced with small-scale units, well sophisticated goods which could compete with the large-scale manufacturers of western countries like U.S.A., West-Germany, Italy, etc. This set a new wave of thinking amongst economists and industrial thinkers all over the world. India could not escape the impact of this wave.

The coalescence of modernist and traditionalist attitudes is reflected in the report of the evaluation committee of Khadi and village industries commission: "If employment is to fulfill the purpose for which it is sought, namely to provide opportunities
for the full development of the personality of the workers, it must be as far as possible self-employment. The worker should be either an independent artisan (family) or as a member of self-governing cooperative."

According to the National Planning Committee, small-scale and cottage industry is one as distinguished from large-scale industry equipped with power driven machinery and working for a large market, national or international. The Committee had noticed the serious disadvantages of this absolute form of production represented by handicrafts. It recognised that they involve needless waste of labour, handicap the country in foreign trade and condemn the adult worker to needless toil for a limited gain and for a permanently low standard of living. The Committee however reports that "the dangers of industrialisation and the excessive concentration of new wealth produced by intensive industrialism in the country, as experienced in western countries, have persuaded the most socially inclined minds to accept this uneconomic ideal."

Small-scale and cottage industries provide ample outlets of self-expression and initiative. They lead to the development of those basic qualities in the people which are very essential for a healthy development of a nation. Since raw-materials are rendered into finished products in the workers own home the very fact of creation stirs the soul of the artisan. Culture and refinement come to him through his work and in the midst of his
dear and near ones. There develops a real feeling of mutual trust and confidence, love and affection, duty and reverence among the artisans. Such a cooperation will not only augment production but will also foster a spirit of devotion and sacrifice in the people, a spirit of which the country today is in dire necessity.

Why SSI? :- The concept of development of small-scale sector has now come to stay in India mainly due to following reasons:

First, the small-scale unit requires small capital layout; at the same time it provides more employment as compared to the large-scale sector, where the units are highly capital intensive and highly mechanised. Secondly, a small-scale unit does not require highly sophisticated technology, and hence it can be useful in backward areas where the people are not trained to meet the challenge of sophistication. Small-scale units can also play the role of ancillaries. In this way, they can help the production of large-scale units.

Certain products required in large quantities are bound to be produced in the large-scale sector like cement, steel, sugar, power generation, fertilizers etc. However several items can be produced economically in small-scale industries. That is why the government of India has reserved 504 items for exclusive development in the small-scale sector.1 This step of Government

of India is itself an indicator of the encouragement and support it is rendering to the small-scale sector, taking into consideration the importance of the small-scale sector, and for achieving social goals laid down in the Constitution.

**Definition and Meaning of Small-Scale Industries:**

Industrial structure may be divided into three sections, namely (i) Large-scale industrial units (i.e. front line industries), (ii) Medium-scale industrial units and (iii) Small-scale industrial undertakings. Various criteria have been applied for the demarcation of industrial concerns.

Small-scale industry is defined in various countries in various ways. In India, the size of the industry is decided on the basis of cost of plant and machinery of the unit. The strategic role of small scale industries in the country's overall economic development has been recognised in the successive Five Year Plans.

For the purpose of definition, aSSI is one which is carried on a small-scale in the sense that the number of workers employed in it is such that the manager can keep a direct personal contact with each employee.

**Some Definitions are:**

"A small-scale industry is one which is operated mainly with the hired labour, usually 10 to 50 hands". The Fiscal
Commission Report further observes that "the distinction between cottage and small-scale industries rests mainly on the size of the unit and the related fact of the contractual relationship between the proprietor and the workers. Small-scale industries generally provide whole time occupation to their workers and are located in urban and sub-urban areas".

Here is another definition of SSI cited by the Karve Committee, 1956, "It includes all industries which have a capital investment of less than Rs. 5 lakhs and employ less than 50 persons when using power, or employ less than 100 persons when not using power".

The Society for social and economic studies has also defined a SSI as follows:

"As a working formula, the Central Government has defined a small-scale industrial concern as a unit having capital invested up to Rs. 5 lakhs and employing not more than 50 persons with the use of power and 100 persons without the use of power".

According to International Planning Teams Report the village and SSI can be divided into two major groups with only minor overlapping as follows:

I. "Traditional village craftsmen (carpenters, blacksmiths, potters, etc.) working mainly for the needs of their neighbours within the village itself and occasionally for the nearby villages and small town markets".

II. Small industries aiming at larger markets, selling or trying to sell their products throughout the country and abroad (This group includes the traditional artistic crafts).

According to Dr. V.K.R.V. Rao SSI means a unit where power is used and the number of workers employed does not exceed 50, and the capital invested is less than Rs. 30,000.

"Small-scale industry" is variously defined in several South Asian countries. In India, the Karve Committee gave the term a very inclusive meaning¹ (Definition is given on page 6). Other countries have defined as shown below:

**Japan** :- "By small industry" is meant that relatively small in scale of management and capital investment although the basis for classification varies according to the types of industry, and cannot be generalised. In government practice the term is applied to those industries employing less than 300 persons and with an amount of capital falling short of 10 million Yens.

**U.S.A.** :- "The manufacturing firm is officially a small business for government procurement purposes, if it is not dominant in its

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field of operation and has fewer than 500 employees or if it is certified as small by the small business administration. For purpose of financial and other assistance it is classified as small if it has fewer than 250 employees, depending on size standard set for different industries.

U. K. — There is no such demarcation between small and large industries. However in books and treatises on industrial subjects; units employing less than 500 workers are generally referred to as small units but this cannot be considered as a creation of universal applicability.

N. Germany — No official definition exists for small industry. Units having upto 300 workers are considered to be small.¹

Small-scale enterprises can be further divided into two main types, namely, small-scale enterprises and cottage industries. The basis of classification between the two is that in the case of cottage industries, there is the predominant use of manual process which is not true of small industrial concerns. Cottage industries are "almost entirely household enterprises" (employing little capital and/or hired labour); most of them derive their materials from local sources; and they sell most of their products in local markets. They are, in sum, small-scale, rural, localised and technically backward. Thus the distinction between small-scale and cottage industries rests on

the mechanical (or manual) process and the range of geographical coverage for deriving inputs and selling their output.

The Small-Scale Industries Board in its first meeting held on 5th and 6th Jan., 1955 adopted the first working definition of a small-scale industrial unit as "a unit employing less than 50 workers, if using power and less than 100 persons without use of power, and having an investment in fixed assets, not exceeding Rs. 5 lakhs". This definition was by no means rigid and had to be applied with a certain amount of flexibility. This definition was evolved by a process of elimination. The industries covered by the other boards and the factories registered under the Industries Development and Regulation Act, 1951 were excluded. Further the ceiling of Rs. 5 lakhs of investment in fixed assets in a SSI accorded with the minimum limit laid down for capital issues by the Controllers of capital issues.

As the tempo of development of SSI gathered momentum under the Central Small Industries Organisation, a need was again felt to modify the definition further. This time the employment limitation was found to stand in the way of small industries promotion programmes. The Small-Scale Industries Board had kept in mind the necessity of maintaining a certain amount of flexibility in its interpretation. The Board welcomed the Government's decision to revise the definition. The new definition as per the Ministry of Commerce and Industry letter
No. 12 SSI(A) 136/57, dated 4th June, 1960 was as follows:
"Small-scale industries will include all industrial units with an investment in fixed assets of not more than Rs. 5 lakhs irrespective of the number of persons employed".

The above definition was later revised so as to make the employment ceiling relate to employment per shift without, of course, altering the investment ceiling. This sector was again redefined by the Small-Scale Industries Board in their 24th meeting held on 8th and 9th July, 1966 and as per the Ministry of Industry letter No. SSI(A) 12(5)/66, as comprising manufacturing enterprises with a capital investment in only plant and machinery (original value) not exceeding Rs. 7.5 lakhs and ancillaries with a fixed capital investment of Rs. 10 lakhs.

The question of revision of definition was discussed at great length at the 32nd meeting of the Small-Scale Industries Board, held in November 1974. The unanimous view of the Board was that the increase in the prices of capital equipment has made the present ceilings in the definition unrealistic and that a revision of the ceilings was necessary to facilitate the modernisation of existing small industries and the growth of new viable units in sophisticated lines of production. In 1975 the Government has revised the definition of small-scale enterprises so as to include all industrial units with a capital investment in plant and machinery (fixed capital) of not more than Rs. 10 lakhs irrespective of the number of persons employed and Rs. 15 lakhs in the case of ancillary units, manufacturing parts and equipments.
The Government have separately issued notification vide No. IDRA/29B/75 dated 19th May, 1975 substituting the existing definitions for "Small-scale units" and "ancillary units" by the revised definitions for purpose of the Industries Act, 1951.

In the policy statements made by the Minister of State for industry on 23rd July, 1981, the decision of the Government for raising the investment ceiling in the definition of tiny, small-scale and ancillary units were announced. The revised definitions were formally notified in the Government of India Gazette dated 31st July, 1980 and given effect from 1st Aug., 1980. The revised definitions are as given below:

(i) **Tiny Units** :- "Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 2 lakhs".

(ii) **Small-Scale Industries** :- "Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 20 lakhs".

(iii) **Ancillary Industries** :- "Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 25 lakhs and engaged in:

(a) The manufacture of parts, components, sub-assemblies or tooling or intermediates, or

(b) The rendering of service, and supplying or rendering or proposing to supply or render 50% of their production or the total services, as the case may be to other units..."
for production of other articles, provided that no such undertakings shall be subsidiary of, or owned or controlled by, any other undertakings.

Small-scale or registered small-scale ancillary units with the State Directorate of Industries, get many facilities, such as, investment, allowance, preferential rate of interest, higher quantum of financial assistance, tax benefit and priority allotments of scarce raw-materials, priority during finalising Government orders for supplies of various items, required by the Government sector industries and Government sector, etc.

Thus the Government’s decisions is taken with a view to boost the development and modernisation of SSI, and to ensure their rapid growth. It helps genuine small-scale units, particularly those being set up by young and technically qualified entrepreneurs. It would also facilitate modernisation of many of the existing small-units.

Importance and Characteristics of SSI:

Small industry is the only occupation which helps the country in solving the giant problems like poverty, hunger and unemployment. These industries occupy a central and pivotal position in the economic strategy of a developing country. The objective of socio-economic transformation cannot be achieved in India by ignoring SSI. The importance of SSI is shown below:
1. Development of Small Industries will do away with the evils of capitalistic system. Professor Giddings and Abbot point out that when a few people control food, light, fuel and transport it leads to oligarchy and political corruption.¹

2. P.J. Thomas points out that only a small fraction of unemployment can be taken care of by large industries. Problems of surplus manpower will be solved by the small industries.²

3. From strategic point of view, concentration of industries at a few places is dangerous in times of war.

4. Decentralisation of industries is possible and new techniques can be easily adopted on smaller scale.

5. Judging from organisational side, communications, ideas in organisation, and management-labour relations are easily handled in small-scale industries. SSI have many social advantages.

6. Development in small industries will mean progressive improvement in productivity, and in the condition of life and work of the large number of persons engaged in them without any disturbance of their local and social set-up.

7. Taxable capacity of the people will increase as a result of the increase in the purchasing power of the vast masses engaged in small industries.

8. Without small industries the economy of the village becomes
   one-sided, completely dependent on agriculture which by itself
can never ensure a large or steady income.

9. SSI make possible quick and maximum production in short-time.

10. SSI require little of imported material and help in
    promotion of export.

    A small industry is in close touch with its employees and
    customers and is better placed to improve its own operations and
    its service. Being small, it has a high degree of flexibility.

    There is a scheme of sub-contracting exchange which inspires
    the small-scale units for utilisation of their idle capacity. The
    efforts of the exchange are to bring together the two parties
    keeping in view the requirements of large-scale units on the one
    hand and on the other, the capacity to render the right type of
    sub-contracting service by the small-scale units.

**Place of SSI in Indian Economy**

    The basic question regarding SSI is - what role can they
    play in the development of the country? Obviously, their place
    depends upon the extent to which these industries can help in
    solving various problems that we face. Quite a few arguments have
    been given below:

**Employment** - The most important single argument advanced in
    favour of these industries is that they generate a large volume of
employment. This is considered to be of great relevance for a country like India where unemployment, under-employment and seasonal unemployment are rampant on a mass scale, and where capital for industrialising on a massive scale is actually very small.

From the employment angle, it is further pointed out that these industries have certain peculiarities which make them eminently appropriate for India. They can be set-up at the very doorstep of workers, mostly living in villages. These workers can easily look-after their agriculture also. The work in these industries can be switched off as and when necessary. In this way seasonal unemployment can be greatly eliminated. Dhar and Lydall, however, consider this argument weak.¹ They argue that employment is not important by itself. Its importance lies in the increase in output that it is supposed to bring about. Thus, the employment argument should in fact be an output argument. On this basis they contend that it is the large-scale industries, and not small and cottage industries which are justified.

But the empirical evidence does not lend support to the above argument. The table 1 given below presents statistics in respect of capital, employment and output of large-scale and small-scale industries.

**TABLE - 1**

Capital, Employment and Output

<table>
<thead>
<tr>
<th>Size of Industry in Terms of Capital</th>
<th>Small</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Fixed capital per employee</td>
<td>3706</td>
<td>27757</td>
</tr>
<tr>
<td>2. Value added by manufacture per unit of employment</td>
<td>4769</td>
<td>12785</td>
</tr>
<tr>
<td>3. Value added manufacture per unit of capital</td>
<td>1.29</td>
<td>0.46</td>
</tr>
</tbody>
</table>


From the above table three inferences can be drawn:

1. Compared to large-scale industries, the employment capacity of small industries is seven times more (item 1) i.e. the number of persons employed per unit of capital is seven times more in SSI in comparison with large-scale industries.

2. The output-employment ratio in small industries is lower than in large industries (item 2). The reason for this is that in large-scale industries more capital is employed; and

3. The output-capital ratio in small industries is more than three times higher compared to that in large industries. In other words, while by investing one rupee, one can get an output worth Re. 1.29 from small industries, the output in large industries is only Re. 0.46. Thus, the output-employment ratio is low in case of small industries, but both the employment-capital ratio and
the output-capital ratio of small industries are higher than those in large industries.

Still more evidence can be cited against the argument of Dhar and Lydall from the Annual Survey of Industries for 1975. But the above reasoning is sufficient in this matter.

**Capital Formation** - Dhar and Lydall criticise small and cottage industries also on the ground that these industries will have unfavourable consequences for saving and capital formation. They argue that the establishment of these industries will, over a period of time, reduce further the availability of capital. Their argument runs as follows: For every unit of output, these industries use more capital and, these industries, being labour intensive, use a major proportion of the sale proceeds of output to pay workers whose marginal propensity to save, is low.

But this argument too is not very strong. Despite low labour productivity, the total production originating in this sector will be large because of the employment of a large number of workers.

With the adoption of modern techniques of production, the present low productivity of labour can be raised to higher levels. In developed countries, labour productivity in small enterprises is very high. In India, too, when these industries start getting facilities like credit, raw-materials, transport, marketing, etc. the inefficient employment today will become efficient tomorrow.
It is true that the income of these industries will get
distributed among a vast number of workers, whose marginal
propensity to consume is very high. But, since workers will
get work close to where they live, the consumption expenditure
may not go up as high as is warranted by the high marginal
propensity to consume. It has been pointed out that there will
be increase in human capital which is as important as and perhaps
more important than physical capital.

Cost of Production:— Another criticism is based on the ground
that the cost of production in these industries is high. This
objection is not valid at least on three counts: (1) the cost of
production may be high, but this may be offset by low cost of
distribution, so that the price paid by the consumer is actually
lower than the price paid for similar product turned out by a
large-scale industry. Since small industries produce for the
local market, distribution cost tends to be low, (2) In the recent
times there have taken place various technological developments.
They are tending to reduce the cost of production instead of
market (i.e. money) cost of production only. (3) Large-scale
industries have to incur such costs for labourers as houses,
community centres and other welfare activities. As against these
small enterprises, since they are located near the workers resi-
dence, they are not required to undertake these costs. Besides, the
costs which the community has to bear in the form of air and water,
pollution in the case of large-scale industries are non-existent
in case of small enterprises.
Equitable Distribution :- SSI's are eminently suitable for the fulfilment of the objective of social justice. As against large-scale industries in capitalist or mixed economy which promote monopolistic trends and unequal distribution of incomes, small enterprises tend to create a situation of more equitable distribution of income. At least three arguments can be advanced in support of this. (i) A large proportion of incomes generated in these enterprises gets distributed among workers. (ii) Incomes get distributed among a very large number of people. (iii) Incomes get spread over a vast number of persons throughout the country. All these three benefits flow from the fact that these industries are labour-intensive and that these can be set up anywhere and everywhere in the country.

But here again objections are raised in particular by Dhar and Lydall. They contend that these industries cannot do much for the poor masses. They argue that the productivity of these industries being low, the income distributed will be comparatively small. Being unorganised, labours in these industries are exploited. In fact, the SSI's are the media of self-employment and self-help, and they generate valuable self-confidence and sense of self-reliance of development.

Use of Latent Resources :- Another strong argument in favour of these industries is that these make it possible to use the latent resources which otherwise would lie idle. With the help of these industries, the country can use for the benefit of its development
such resources as hoarded wealth, entrepreneurship, family labour, artisans, skills etc. Being thinly spread throughout the country, these resources cannot be used in large-scale industries.

For the growth of entrepreneurship, it is necessary to have a favourable climate. SSI help to create such conditions. These industries provide circumstances, opportunities and training fields in which the local entrepreneurs take risks, experiment, innovate and get on the move to compete effectively with others. Japan is a classic example where small entrepreneurs have contributed a great deal towards the rapid development of the country.

Decentralisation: An important and beneficial aspect of the spread of SSI is the decentralisation of economic activities. The growth of large factory industries that has so far taken place has been centralised in a few big cities like Bombay, Ahmedabad, Nagpur, Calcutta etc. Such a concentration of industries in a small number of places have led to many evil consequences: over-crowding of cities; pollution of air, other social evils that result from over-concentration of population in small areas like cities, etc. Centralisation is dangerous also from the angle of security of the country. In the event of war, industrial towns are easy targets for enemy bombardments. Thus spreading of industries throughout the country is of vital importance.

Consumer Goods: These industries are predominantly producers of consumer goods and have a key place in the mechanics of
development. SSI, which can be set up with small investment and with local resources, are capable of producing much needed consumer goods within a short period of time.

Balance of Payments and Foreign Exchange: From the angle of balance of payments, these industries are justified on two counts: (1) they do not require much foreign exchange resources for their establishments and to that extent they do not place extra burden on foreign exchange resources; (2) these industries can contribute to the foreign exchange kitty of the country by promoting exports.

Political and Social Benefits: These industries can help in awakening the powerful dormant forces among masses. The freedom of work, self-reliance, self-confidence, enthusiasm and all such traits of a healthy nation can be built around the material activities performed in these industries. These industries will be helpful in the preservation of the inherited skill of our artisans which would otherwise languish and disappear.

Geographical Pattern of the Growth: A geographical growth of small-scale sector has been extremely uneven. Small units have concentrated in Maharashtra, Punjab, U.P., Tamil Nadu and West Bengal with the result that the dispersal of industries has not taken place to the desired extent and there are still many areas and districts which are lacking in industrial activity.

Share of SSI in Indian Export: SSI have a wide scope for selling their products in the world market. More than 800
different products manufactured by the small-scale units are exported to Asian, European, American and African countries. The working group on the development of SSI envisages that the production during the Sixth Five Year Plan is estimated to rise from Rs. 6,700 crores in 1977-78 to Rs. 26,760 crores in 1982-83. Therefore the SSI may set right its image in the overseas market and will further constitute a large share of foreign exchange.

From the above discussion about the place of SSI it is obvious that these industries are of key importance in India's economic life and development. The Government has, for all these considerations, given a high priority to the development of these industries. Apart from the policy and measures in respect of facilities and concessions, the Government has been spending increasing amount of resources since the beginning of planning.

Growth and Scope of SSI:

During the period 1974-80, production in the SSI (under SIDO) went up from Rs. 7,200 crores to Rs. 19,060 crores; the growth rate being 9.5% per annum. Employment and exports registered increased from 39.65 lakh to 64.60 lakh persons, and from Rs. 538 crores to Rs. 1,050 crores, respectively. The new programmes initiated during this period comprised entrepreneurial development, establishment of subcontracting exchanges and modernisation of selected industries and SSSI (Small Institute Service Institute).
While the precise impact of the various policy measures and development programmes cannot be assessed for want of adequate data, particularly in respect of the traditional village and household industries, the following tables give a broad picture of the programme made in this sector.

The comparative figures for 1977 and 1978 (upto June) for broad groups of industries are given below:

**TABLE - 3**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Industry Groups</th>
<th>1977</th>
<th>1978 (June)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Food products</td>
<td>232.91</td>
<td>259.45</td>
</tr>
<tr>
<td>2.</td>
<td>Wood products</td>
<td>137.12</td>
<td>271.13</td>
</tr>
<tr>
<td>3.</td>
<td>Footwear &amp; Wearing</td>
<td>292.92</td>
<td>315.42</td>
</tr>
<tr>
<td>4.</td>
<td>Leather products</td>
<td>250.90</td>
<td>129.72</td>
</tr>
<tr>
<td>5.</td>
<td>Paper products</td>
<td>306.99</td>
<td>217.09</td>
</tr>
<tr>
<td>6.</td>
<td>Rubber products</td>
<td>249.43</td>
<td>211.36</td>
</tr>
<tr>
<td>7.</td>
<td>Chemical products</td>
<td>109.47</td>
<td>300.19</td>
</tr>
<tr>
<td>8.</td>
<td>Non-metallic mineral products</td>
<td>193.58</td>
<td>200.53</td>
</tr>
<tr>
<td>9.</td>
<td>Basic metal products</td>
<td>436.20</td>
<td>394.04</td>
</tr>
<tr>
<td>10.</td>
<td>Metal products</td>
<td>200.07</td>
<td>216.60</td>
</tr>
<tr>
<td>11.</td>
<td>Electric machinery and appliances</td>
<td>263.54</td>
<td>290.29</td>
</tr>
<tr>
<td>12.</td>
<td>Non-electrical machinery</td>
<td>222.51</td>
<td>304.53</td>
</tr>
<tr>
<td>13.</td>
<td>Transport equipment</td>
<td>239.47</td>
<td>272.97</td>
</tr>
<tr>
<td>14.</td>
<td>Misc. products</td>
<td>246.77</td>
<td>360.07</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>Total for All Industries</td>
<td>241.63</td>
<td>363.57</td>
</tr>
</tbody>
</table>

Source: 1979-80 SIDO, p. 38
The above table shows that a major contribution towards the growth of small-industries sector has been made by the chemical products, where the production has increased from 109.47 in 1977 (1970 = 100) to 300.19 in June, 1978, while wood products, non-electrical and electrical machinery etc. have shown substantial increase. In respect of only few products namely leather products, basic metal industries and metal products, the level of production has either remained static or has shown a decreasing trend during 1978.

In order to get an idea of the economic viability of the small-scale sector, it would be relevant to make a study of the comparative position of the small-scale sector with the large-scale sector in respect of output, fixed investment, net additions in value and capacity of creation of employment opportunities. The comparative figures of the small and large scale sectors for three years are given below:

**TABLE - 2**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Item</th>
<th>Annual Survey of Industries&lt;sup&gt;**&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1973-74&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSI</td>
</tr>
<tr>
<td>1</td>
<td>No. of units (100 Nos)</td>
<td>57.9</td>
</tr>
<tr>
<td>2</td>
<td>Output/fixed investment</td>
<td>5.55</td>
</tr>
<tr>
<td>3</td>
<td>Value added/fixed investment (v)</td>
<td>0.90</td>
</tr>
<tr>
<td>4</td>
<td>Fixed investment/workers</td>
<td>4.6</td>
</tr>
</tbody>
</table>

(v) Fixed investment in Rs. 000<sup>a</sup>
* SSI include factories whose capital size (original value) was not specified.
** Relatives to factories registered under factories Act

Source: Report 1978-80 SIDO p. 39
It is interesting to note further that a project in the small-scale sector with an investment of Rs. 10 lakh would normally have the capacity of providing employment to 172 persons. The same number of employees if employed in large-scale sector would require an investment of Rs. 53.14 lakh i.e. over 5 times the investment necessary in the small sector. Further in the small-scale sector Rs. 53.14 lakh investment provides job to 916 persons. This would show the tremendous employment potential of the small-scale sector when compared to the large-scale sector.

The small-sector has greatly helped the dispersal of industries to different parts of the country. The number of small-scale units registered with state directorate of industries in M.P. was 24,500 in 1979. This number was not satisfactory in comparison with other states like Maharashtra (28,256), Punjab (29,214), Tamil Nadu (39,432), U.P. (29,080), West Bengal (71,116), etc.

From this study we can say that small-scale industries have a wide scope in developing various types of industries, in comparison with large-scale industries. In M.P. some industries are showing significant improvement. They are, electronic, electrical industries, engineering industries and leather goods.

**Small-Scale Industries During Plan Period 1961-62**

The planners spoke of rural crafts as "essential elements in the organic unity and culture" of the villages. They stressed the importance of improving techniques in village enterprises and
recommended that research be undertaken for the purpose of "evolving machines worked by power which may be suitable for small-scale operations".

The main architect of the Plan, P.C. Mahalanabis observed: "In India a dual strategy was to be adopted. On the one hand, the strategic heavy industries for steel, metals, machinery, electricals and chemicals etc. were to build up the foundations of industrial progress, and on the other, it was to expand the traditional cottage industries and small-scale production".

The Industrial Policy Resolution of April, 1948 was primarily meant for large industries, but it also laid down that cottage and SSI have a very important role in the national economy. The provision of raw-materials and other facilities like cheap power, technical advice, marketing, education of workers in technique fell in the sphere of State Governments. The Central Government would investigate how far these industries could be coordinated and integrated with large-scale industries, and how far industries which were highly centralised, could be decentralised with advantages.

In the First Five Year Plan the importance of SSI for providing employment, especially, to the under-employed persons in the rural areas was fully recognised and it stated that Central Government must give importance to these industries similar to agriculture. Probably for the first time, an effort was made to view the difficulties and problems of the development of these
industries on all India basis and in an integrated manner. The general approach of the plan was one of rehabilitating these industries so as to provide additional employment.

The most important contribution of the First Plan was provision of substantial finance for the development of cottage and SSI. A provision of Rs. 11.94 crores was made in the States mainly for the continuance of elaboration of their existing programmes and this was subsequently increased to Rs. 12.34 crores. The Commerce and Industry Ministry of the Central Government made further provision of Rs. 15 crores. On the side of organisation, the establishment, or reconstitution of Six All India Boards was the most important step taken for the planned development of village and SSI.

The principle of a common production programme was also set-up in this Plan for large and small-scale industries. It had been decided to discourage establishment of large-scale undertakings in future and to reserve further expansion of production for small-scale sector. Thus in the First Plan period it was decided that no overlapping in productive activity may take place in the large and small sectors.

Recommendations were made with regard to organisation of marketing the handicrafts by linking up consumer’s cooperatives with producers cooperatives and by setting up emporia and establishment of machinery for the enforcement of decisions and reviewing the work with regard to State purchase of products of small enterprise.
Second Five Year Plan: - A committee was appointed in June, 1955, known as the Village and SSI (Second Five Year Plan) Committee under the Chairmanship of Dr. D.C. Karve. Its main work was "preparing allocations of resources required in the Second Five Year Plan by different administrations and industries to achieve certain objectives and targets in the field of village and SSI. The starting point of this work was avoidance of technological employment. One of the most important factors of the existing economic situation observed by the Committee was the large extent of unemployment in the country. Production through modern techniques makes redundant the capital and labour employed in traditional industry and creates a very large problem of unemployment of resources especially labour resources".

Development programmes costing Rs. 259.61 crores for village and SSI under Second Five Year Plan had been recommended by the Karve Committee. A special study team assessed the working of 28 industrial pilot projects taken up in the community development blocks some five years back. The programme evaluation organisation of the Planning Commission also made a study of rural industries in selected community development blocks. The main task assigned to the Committee by its terms of reference was to prepare a scheme, industry-wise and wherever possible Statewise for the utilisation of resources to be earmarked for the purpose of development of these industries as an integral part of the Second Five Year Plan.
Third Five Year Plan: This Plan kept the following objectives in view:

(i) Improvement in productivity of workers and reduction of production costs through positive form of assistance like improvement in skill, supply of technical advice, better equipment and credit, etc.

(ii) Progressive reduction of subsidies, sales, rebates and sheltered markets.

(iii) Growth of industries in rural areas and small towns.

(iv) Development of SSI as ancillary to large-scale industries, and

(v) Organisation of artisans and craftsmen on cooperative lines.

(vi) It was proposed to expand considerably the training facilities for technical and management personnel and also to introduce improved tools and equipments. The scheme for the supply of machines on hire purchase would be further expanded. The development of SSI had so far been in or near the cities and large towns. So the growth of industries would be increased in the area where various basic facilities like electricity, supply of raw-materials and improved transport were available. Promotion of small industries would be linked with the programmes of power development in rural areas. In areas where basic facilities were not available, rural artisans would be assisted to organise cooperative societies and procure facilities through them. At
any rate, the scope for the expansion of processing industries was considerable.

It was estimated that additional whole-time employment was created for about 2.5 lakh persons and part-time for about 6 lakh persons during the two years 1961 and 1965. Programmes for industrial expansion, training, introduction of improved appliances and techniques have been expanded by the Central Small Industries Organisation and also by the State Government.

Under the Third Plan, the total outlay for expenditure was envisaged at Rs. 264 crores for development of village and SSI.

300 New Industrial Estates were also envisaged to be set up during the Third Plan Period, beside 66 estates during the Second Plan Period. The number of industrial cooperatives also increased to 85,700 at the end of June, 1962 from 83,258 in 1961. About 45 Rural Industrial Projects were started.

**Annual Plans (1966-69):** Against the total plan outlay of Rs. 40.66 lakh the expenditure was Rs. 38.40 lakh on various schemes of development of village and small-industries and Rs. 7.68 crores was spent on Industrial Estates during 1966-69.

Under the State aid to Industries Act Rs. 20.25 lakh were distributed to various industries by way of loans. The Cooperative Banks and Cooperative Societies were also subsidised for carrying out their development activities. An amount
of Rs. 1.51 lakh had been spent in providing common facility services to rural artisans.

During the First Annual Plan (1966-67) the small-scale sector was again redefined as comprising manufacturing enterprises with a capital investment in only plant and machinery (original value) not exceeding Rs. 7.5 lakh.

At the instance of the Ministry of Industrial Development, Internal Trade and Company Affairs, the Central Statistical Organisation had started collecting from the year 1966 detailed statistical information on census basis from the SSI relating to the following five priority groups viz. ferrous and non-ferrous basic metal products, electrical machinery, etc.

There were 9,336 small-scale factories engaged in these groups of industry, providing employment to 3.33 lakh workers in 1966.

Fourth Five Year Plan :- One of the main objectives of Small Industries programme has been to protect such industries from the competition of large-scale industries.

As against the provision of Rupees 293 crores in the Fourth Plan (1969-74), the estimated outlay in the public sector for village and small industries worked out to Rs. 251 crores.

Following were the objectives with reference to SSI:
(1) To improve the production method and to produce commodities of good quality.

(2) Development of SSI and encouragement to decentralisation through intensive rural industrialisation along sophisticated lines.

(3) Encouragement of ancilliarity so that the large and small industries can be coordinated.

(4) To encourage integrated development of SSI and industries depend upon agriculture.

(5) To encourage unemployed engineers and other technicians. Also to develop qualification and efficiency among young entrepreneurs.

(6) To provide scarce raw-material at cheaper rate.

(7) Provision of credit facilities and relief in taxes from time to time.

(8) To improve import policies relating to SSI and to encourage export and exchange policies.

Some Achievements of SSI in This Plan:

Relief in Taxes and Credit Facilities: Loans worth Rs. 90.78 crores were made available up to March 1966 through the State Bank of India and other Commercial Banks. 2200 machines worth Rs. 45 crores were made available to 12,000 entrepreneurs spread all over the country by March 1971, through NSIC.

Supply of Scarcse Raw Materials: A very weak point of SSI is the limited availability of the right type of raw-material at
suitable price in the right time. But the State Government was helpful in this respect in making raw-material available in sufficient quality at suitable price and this was an important role in maintaining quality in production cost.

Labour Supplemented Small Industry: In this plan special attention had been given on a priority basis to SSI, keeping in view greater employment opportunities and utilisation of local facilities and talents.

Fifth Five Year Plan: The principal objectives of the programme for the development of different small industries in the Fifth Plan were to facilitate the attainment of some of the major tasks for the removal of poverty, and equality in consumption standard of these persons, and through creation of large scale opportunities for fuller and additional productive employment and improvement of their skill so as to improve their level of earning.

The SSI sector had a very crucial role both directly and indirectly in meeting these basic requirements in the Fifth Plan. The emphasis in this Plan was on an energetic and determined efforts to channelise the energies of young technocrats into productive channels by exploitation of these resources through a systematic programme of promoting modern SSI to absorb and fruitfully utilise these for the economic development of the country which would otherwise get wasted leading to an atmosphere of frustration.
There was bound to be a noticeable impetus to the development of small industries during of Fifth Plan which w ill influence the employment potential and the dispersal of national income over an expanding sector.

While job orientation continued to be an important objective of the Fifth Plan, it was difficult to achieve the employment target without substantial push to the small-scale sector.

According to the Task Force Committee of the Fifth Plan on small industries, more than 85,000 new small scale units had been established every year during the last few years, resulting in the additional employment to 1.5 million persons. A sum of Rs. 610 crores had been allocate to village and small industries in the public sector. The revised Fifth Plan reduced this allocation on Rs. 895 crores which was subsequently reduced to Rs. 510 crores.

Judging the tempo of development in the small sector, and having regard to the incentive given to the small sector, by State, and Central Government and many official and non-official organisation, there were quite bright prospects for SSI during the Fifth Five Year Plan. But there were some obstacles such as financial impediments, lack of adequate raw-material and other factors beyond the control of small-scale entrepreneurs.
Sixth Five-Year Plan: Promotion of village and small industries will continue to be an important element in the national development particularly because of very favourable capital out-put ratio and high employment intensity. The following are the objectives:

(i) Improvement in the level of production and earnings, particularly of the artisans, through measures like upgradation of skills and technologist and producer-oriented marketing, etc.

(ii) Creation of additional employment opportunities on a dispersal and decentralised basis.

(iii) Significant contribution to growth in the manufacturing sector through inter-alia fuller utilisation of existing installed capacity.

(iv) Establishment of a wider entrepreneurial base through appropriate training and packing incentives.

(v) Creation of viable structure of village and small industries sector so as to progressively reduce the role of subsidies, and

(vi) Expanded efforts in export promotion.

The Draft Plan (1979-83) proposed a total outlay of Rs. 1,410 crores in the public sector. About Rs. 2,000 crores are expected to be invested from private sources including banking and financial institutions.

The planners aim to enlarge employment from a level of 180 lakh persons in 1977-78 to 310 lakh persons in 1982-83.
In terms of production targets the plan envisages a 300% increase in the output of SSI, i.e. from Rs. 6,700 crores to Rs. 257,00 crores. The target of production of SSI will be expected to increase by Rs. 49,235 crores in 1984-85. Similarly 328 lakh persons will get employment and export will be expected to increase by Rs. 3666 crores by the year 1984-85.

**Schemes for Sixth Five Year Plan:**

(i) **Strengthening of the SIDO:** Under this scheme, it is proposed to strengthen the existing network of the Small Industry Development Organisation to provide greater technical competence, so as to be able to support effectively the sophisticated units in the small industry sector.

(ii) **Testing Centres:** At present four Regional Testing Centres are being operated at Delhi, Bombay, Calcutta and Madras. These testing centres have identified several products for which test facilities are provided and certificates are issued, in cooperation with the Indian Standard Institution.

(iii) The export promotion schemes proposed to include undertaking consortia of SSI and sponsoring trade and technology delegations which would expose small entrepreneurs to new developments abroad.

(iv) **Entrepreneurial development programmes and training programmes:** In recent years, special programmes have

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1. Source: Draft Five Year Plan (1978-83) and (1980-85).
been devised for woman entrepreneurs as well as for other weaker sections of the population.

Sub Contracting Exchanges, Product cum Process Development Centres (PPDCS) and modernisation of SISI workshops and its new branches in backward areas are also the main features of Sixth Plan.

By March 1980, 382 District Industries Centres were sanctioned covering 392 districts with the objective of providing all the services of support facilities under a single roof. Tool rooms and Institute of hand tools are established in Nagpur, Jaipur and Baroda. There is also a marginal many scheme for revival of sick units, in this plan.

A comparative picture of public sector outlay in the village and small industries sector is shown in table given below:

<table>
<thead>
<tr>
<th>TABLE - 4</th>
<th>(Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan Period</strong></td>
<td><strong>SSI</strong></td>
</tr>
<tr>
<td>First Plan 1951-56</td>
<td>5.20</td>
</tr>
<tr>
<td>Second Plan 1956-61</td>
<td>44.40</td>
</tr>
<tr>
<td>Third Plan 1961-66</td>
<td>90.91</td>
</tr>
<tr>
<td>Annual Plan 1966-69</td>
<td>45.90</td>
</tr>
<tr>
<td>Fourth Plan 1969-74</td>
<td>80.46</td>
</tr>
<tr>
<td>Fifth Plan 1974-78</td>
<td>121.89</td>
</tr>
<tr>
<td>Sixth Plan 1978-83</td>
<td>545.00</td>
</tr>
<tr>
<td>Revised Plan 1980-85</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Table 12.3 of the 6th Plan Document.
Industrial Policy Stated by Planning Commission During Various Plans

The industrial policy resolution of 1948 assigned a very important role to cottage and SSI in the national economy as the basis for the development of a decentralised industrial pattern. The industrial policy resolution of 1948 recognised "that cottage and small industry are particularly suited for better utilisation of local resources and for the utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods".¹

The First and Second Five Year Plan Committees had examined the problems of village and SSI on behalf of the Planning Commission and viewed them in the context of the economy as a whole.

The second industrial policy resolution of 1956 also assigned a key role to cottage, village and SSI. It reiterated the desirable feature of small industry and emphasised the aims of State policy as "to ensure that the decentralisation sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large industries".²

The State has been following a policy of supporting cottage and SSI by restricting the volume of production in the large scale sector by differential taxation, or by direct

subsidies. The State, the resolution stated "will concentrate on measures designed to improve the competitive strength of the small-scale procedure".¹ For the past twenty years, the Government policy in the sphere of industry has been governed by the Second Industrial Policy Resolution of 1966. After this long gap the Federation of Indian Chambers of Commerce and Industry (FICCI) organised a seminar in New Delhi in 1976 on the "Role of Small Industry in New Economic Programme". This programme laid emphasis on the development of SSI. Its accent on emancipation of the weaker sections of the society, i.e. landless labourers, artisans, small and marginal farmers, mostly living in rural and backward areas of the country reflects the desire to uplift their living standards through dispersed and decentralised production. The SSI which has already shown its capacity to produce a variety of commodities and to create gainful employment opportunities for a large number of people should get new impetus and occupy an important place in the emerging socio-economic order.

The Government has declared the new industrial policy on the 23rd Dec., 1977.² The new industrial policy puts it thus, "the emphasis of industrial policy so far has been on large industries, neglecting cottage industries completely and relegating small industries to a minor role. It is the firm policy of this Government to change this approach. The main thrust of new industrial policy will be an effective promotion of cottage and

² Revised Industrial Policy, Yojana, XXII/126, Jan. 1978, pp.11-15
small industries widely dispersed in rural areas and small towns\(^1\).

"The focal point of development for small-scale and cottage industries will be taken away from big cities and State capitals to the district Head-quarters. In such district there will be one agency to deal with all requirements of small and village industries. This will be called the District Industries Centre.\(^2\)

Protection and encouragement to cottage and small industries, measures to have them located in small towns and villages rather than in big cities, proposal for better marketing facilities and introduction of technical change, thus, are the new industrial policy measures to emphasise the small sector.

Special measures are also envisaged under new industrial policy statement for ensuring an effective and coordinated approach for the development and widespread application of suitable small and simple machines and devices for improving the productivity and earning capacity of those engaged in different small industries.

In consonance with these principles contained in the industrial policy resolutions, a number of agencies were set up both by the Central and State Governments, for the development

of SSI in India. A multipronged attack was launched to upgrade the technical skills and increased productivity in small-scale units by providing them a range of services.

The socio-economic objectives enunciated in the policy indicate an attempt to strike a delicate balance between the role of the small and large industry. Reference to higher employment correction regional imbalances through preferential development of industrially backward areas, strengthening the agricultural base through promotion of agro-based industries and closer inter-sectoral relationship and the need to promote economic federalism with an equitable spread of investment speak of the emphasis on small industry. On the other hand, reference to the need of optimise utilisation of installed capacity, maximum production, productivity and promotion export oriented and import substitution industries speak of the emphasis on large-scale industry.

Thus the industrial policy makes a three fold division of the small sector, viz. the village and cottage industries, the 'tiny' industries and SSI. The distinction is very clearly drawn in some places. Village and cottage industries, for instance, are linked up with self-employment, the others by inference with wage employment. Similarly the tiny sector is clearly identified as that with an investment of less than one lakh rupees and located in villages or in towns with a population of less than 50,000. But while the definition differentiates it from the rest of the small-scale sector, it does not help to distinguish it from village (or house-hold) industries.
In order to evaluate the role of the small sector within the total operation of the economy, it is necessary to distinguish between the components of that order in terms of their link with the rest of the system rather than in terms of their absolute size or technological character only. These links are of the technical or input-output kind as well as of the general economic kind. In terms of these links the distinction between SSI (including the tiny in them) on the one hand and the village and household industries on the other is that the former are technically and economically connected with the large scale industries while the latter generally are not.

Crucial to the understanding of the role of the modern small sector in the economy is its close links and extreme dependence on the large sector. The role of the units in the small sector is essentially an ancillary to the units in the large sector. The ancillary relationship between the two may arise because the small units produce inputs and parts of the large units or because of the nature of marketing arrangements when the small units produce the finished products, but the large units sell them under their brand names. Pressure cookers and voltage stabilisers are typical examples of the later kind of practice. Hence if some products are reserved for the small sector in the metal, chemical and electrical industries, it is not so much because of the government's policy measures as because of the benefits that the large scale sector derives from the arrangements.
The report of SIDO (Small Industries Development Organisation) 1976-79 about the new industrial policy 1977 says "This policy aims at an effective promotion of cottage and SSI widely dispersed in rural areas and small towns. In this context, an exhaustive analysis of the industrial products was undertaken and 504 items were reserved for exclusive development in the small-scale sector. According to the National Industrial Classification these items are classified as 507 products. The tiny sector which forms nearly 90% of the small-scale units has been identified and schemes of assistance of marginal money, lower rate of interest and other facilities have been formulated for them. In less than one year's time, 246 Industries Centres have been set up all over the country under a scheme sponsored by the Central Government to ensure that all the services and support required by small and village enterprises are provided through a single agency".

The Industrial Policy Statement of 23rd July, 1980 shows following points:

(1) **Economic Federalism**: While making all efforts towards integrated industrial development, it is proposed to promote the concept of economic federalism with the setting up of new nucleus plants in each district identified as industrially backward, to generate as many ancillaries and small and cottage units as possible.

(2) **Nucleus Plants**: A nucleus plant would concentrate on assembling the products of the ancillary units falling within its orbit or producing the inputs needed by a large number of smaller
units and making adequate marketing arrangements. The nucleus will also ensure a widely spread pattern of investment and employment and will distribute the benefits of industrialisation to the maximum possible extent. The nucleus plants would also work for upgrading the technology for small units. A carefully worked out time bound programme for greater ancillarisation in certain industries will contribute considerably towards dispersal of industries and growth of entrepreneurship.

(3) **Ancillarisation** :- It would create an ancillarisation effect in terms of larger employment, more equitable distribution of the benefits to large number of people in the area.

(4) **Financial Support to Small Units** :- Although there is adequate network of institutional financing, yet there is need for coordinating the flow of capital, (both short term and long term). The Government would evolve a system of coordination to ensure the flow of credit to the growing units in the decentralised sector at the right time and on appropriate terms.

(5) **Buffer Stocks for Critical Inputs** :- In order to assist the growth of SSI, it is proposed to introduced a scheme for building up of buffer stock of essential materials which are often difficult to obtain. For this existing set up such as Small Industries Development Corporations in the State and the NSIC in the Centre will also be utilised. Special needs of States which rely heavily on a few essential raw materials will receive priority.
(6) **Marketing Support and Reservation of Items for SSI**: Policies regarding marketing supports to the decentralised sectors and reservation of items for SSI shall continue to be in force in the interest of growth of the SSI.

(7) **Revision of Definition of SSI**: In the Industrial Policy Statement of 23rd July, 1980, the Minister of State of Industry had announced the Government's decision to raise the investment limit in the case of small scale units to Rs. 30 lakh and in the case of ancillary units to Rs. 25 lakh for the purpose of licensing under the Industrial Development and Regulation (IDR) Act.

The report of SIDO (Small Industries Development Organisation) of 1980-81 and press note issued by the Government covered all these points.

The Industrial Policy Statement, 1980, showed a degree of Chaupinism (CHAUPINISM PERMEATING Industrial Policy Statement, 1980) in its observation: "it will be Government's endeavour to reverse the trends of the last three years towards creating artificial divisions between small and large-scale industry under the misconception that these industries are essentially conflicting. Such a chauvinistic tone of the Government does not find an echo in the Sixth Plan (1980-85), which states that the promotion of village and SSI will continue to be an important element in the national development strategy, particularly because of its very favourable capital output ratio and high employment intensity."
Problems of SSI:

Planning in India has brought about vast changes in the Indian Economy, during the last thirty years. But so far we have failed miserably to absorb the increasing labour force. This failure has culminated in growing discontent on account of imbalance and economic disparities. Today, two out of every three job seekers are moving to urban areas in search of gainful employment.

It is clear that there has not been a pragmatic approach in this direction so far and in spite of the various declaration by the Government of India for enacting a separate legislation to protect the interests of the cottage, small and household industries.

At present, Small Scale Industries face many difficulties and inadequacies of which the major ones are the following:

1. Scarcity of Raw-Materials and Imported Components: These units do not get raw-material in proportion of their demands, in time. As a result these industries fail to produce goods of good quality in requisite quantities of cheap rates. Imported equipment is also not allocated to meet the requirements of installed capacity.

The International Planning Team recommended specific revisions in the present system of allocations. It also suggested a phased programme towards a single price-tax system for all
commodities supporting an allocation system which would provide priority schedules for products. Small industry had to struggle all the time for an equitable allocation of foreign exchange.

(2) Lack of Credit and Finance: The need for much greater flexibility in the supply of credit has not been appreciated by the banking system because of the policies of nationalisation of banks, and social control. With a view to enabling commercial banks to be more liberal, the Reserve Bank, now provides guarantee of loans advanced by the commercial banks to small-scale units. One must also concede that the fault is not entirely on one side. The small industrialists are not always able to keep their accounts in such a way as to make the task of financing easy.

On the one hand a number of factors working together, make the new entrepreneurs unable to raise the initial capital needed for the starting of small units from sources other than government finance. On the other hand most established small units hesitate to approach institutional financing agencies (including government) because of their traditional tie up with non-institutional bodies and also because of the lack of training especially in financial matters.

The cooperative societies too have been largely concerned with agriculture. As a result, many small producers are handicapped for want of finances. This has affected adversely their production and marketing activities.
(3) Old Methods and Inferior Techniques of Production and Management Ability: SSI suffer from low level of technology and shortage of trained and experienced technical personnel. Modern methods and techniques which have revolutionised industrial production have not yet become an integral part of the set up of India's SSI. As a result their productivity remains low and the quality of goods is poor.

(4) Inadequate Marketing Facilities: People talk of market surveys and highly technical and sophisticated marketing strategies, but small-scale industrialists cannot afford these costly systems. These sales teams are basically a group of employees who, in most cases, are ignorant about the numerous products which they sell. The sale of goods made by SSI is not encouraging in various emporia.

(5) Competition from Large-Scale Industries: Large-scale industries, organised as these are on, modern lines, using latest production technology and having access to many facilities can easily sell their products. The small producers cannot, therefore, stand up against them in the market.

(6) Location: The choice of location is an important aspect. The entrepreneur has to overcome several difficulties. It is not easy to decide on location, for the choice involves consideration of the availability of infrastructural facilities, the cost and tenure of acquisition, the availability of labour and the proximity of markets.¹

(7) Other Difficulties: Small industries have to face the problem of local and other taxes which result in rise of the sale price and adversely affect the marketability of their goods. These industries have also to face certain other difficulties such as inadequate transport, shortage of efficient managers, lack of research in their products, etc.

Thus it is evident that small and cottage industries face difficulties at every stage of their working. No wonder then that their products are small in quantity and shoddy in quality. This in turn keeps producers poor and their industries backward.

Development of SSI in India in Comparison with Other Countries:

The development of western countries like America, U.K., Germany etc. is mainly based on large-scale industries, because they never faced the problems of over population. There is no need of labour intensive industries. Their technology is much more developed and other facilities like credit, finance, raw-material are easily available. No official definition of small-scale industries exist in U.K., U.S.A., Germany and in France. On the other hand we have to face the problem of over population for last 15 years. Therefore the problem of unemployment is increasing day by day. Thus, we have to think about the industries which can absorb more persons.

But in Japan, small enterprises have grown out of the efforts of the merchant class - Daimyo, who have always been
regarded as subsidiary and subordinate to the large industry. This has always played great role in the economic growth of this country.

In China, small industry is largely confined to the 'communes' and 'brigades' set up by Chairman Mao. Small industry in China has helped to bridge the gulf between the town and the country, the urban and the rural, the large and the small, and the sophisticated and the village sectors of the economy.

In India, ever since the days of Gandhi, the small industry movement has been largely regarded as a main vehicle for uplifting the weaker sections of the population.

The object of the thesis is to study various aspects of small-scale industries with a view to assess their role in the economy of M.P. The various aspects studied include employment, income-generation, finance, export, efficiency, entrepreneurship and dispersal of the region.

**Methodology** - Simple statistical techniques have been used to analyse various aspects of small scale industries. Ratios and percentage have been calculated for various indicators which show certain characteristics of SSI. Value-added, fixed capital, number of workers are some of the indicators that have been used. Similarly Karl-Pearson's coefficient of correlation and Rank correlation methods have been utilised to analyse scale and efficiency of SSI. Production function has been estimated for SSI. In order to study the dispersal of SSI, coefficients of
concentration and variations have been estimated. Similarly growth trends for SSI in M.P. are estimated.

The work of analysis of various aspects of SSI is handicapped by non-availability of appropriate data. In many states it has been a regular feature to collect value-added for SSI, every year. Unfortunately value-added data for SSI in M.P. is still not collected and published by the Government agencies. However, on the basis of certain assumptions, value-added for SSI is estimated by a procedure, the details of which are given in Chapter IV.

Primary data for a few selected SSI is collected. The secondary data used in the thesis has been collected essentially from the following sources:


(b) Industrial Statistics, 1977 - Directorate of Industries, Bhopal.


(d) Madhya Pradesh Financial Corporation, Indore.

(e) Madhya Pradesh Export Corporation, Bhopal.

The work has been divided into 10 chapters. Chapter I has dealt with definition, importance and place of SSI in Indian
Economy. The policy with regard to SSI in Five Year Plans has has been studied. The Second Chapter discusses development of SSI in M.P. during the last 30 years of planning. The structural analysis of SSI is carried out in the Third Chapter. Income and employment aspects of SSI have been examined in the Fourth Chapter. Chapter Fifth discusses the performance of SSI in the sphere of export. The role of entrepreneurship in the development of SSI has been dealt with in Chapter VI. The scale and efficiency of SSI have been analysed in Chapter VII. Chapter VIII points out regional disparities in the development of SSI. The Ninth Chapter deals with the problems of finance. In the Last chapter the conclusion of the study as well as suggestions for better potential, and efficiency have been stated.