CHAPTER - I
Chapter I

Introductory Chapter

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1.1 Introduction:

It is a well-known fact that Small Scale Industry (SSI) plays a very important role in the economic development of the underdeveloped countries. Small Scale Industries (SSIs) occupy a significant position in the economy of India, which is characterised by scarce capital, huge population, chronic unemployment, and imbalanced growth. The experience of developed and developing countries has shown that they have recognized the important role that small-scale industries can play.

1.2 Need of SSIs in Indian Economy:

"The merit of developing Small Scale Industries lies in the fact that they have the capacity to produce a large number and variety of goods with relatively low investment, that they offer greater employment opportunities per unit of capital investment as compared to large enterprises and that the scope for organizing their growth on a decentralized pattern over a large area results in achieving distinct socio-economic advantages, such as better and fuller utilization of untapped resources of capital and skill and more equitable distribution of national income. It is appropriate; therefore, that each country should have developed its own strategy for the development of Small Scale Industries and has offered their development."1

Thus, Small-scale industries play a key role in the industrialisation of a developing country. This is because they provide immediate large scale employment and have a comparatively higher labour-capital ratio; they need a shorter gestation period and relatively smaller markets to be economic; they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might remain unutilised; and they

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1. Publication of Small-Scale Industries in India – Development Commissioner, Small Scale industries, New Delhi, 2nd January 1997; Page 157
stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location. All the economists and the planners of the country duly agree that SSIs sector has been given an important role in the national economy. Industrial Development has become synonymous with the term Economic Development. Economic development is a generic term which embraces all forms of economic activity that serve to the further development of a given political or spatial units, industrial development is more specific in its connotation and use. Industrialisation gives a country advantages in international trade.

Industrialization is a process of establishing a rapid economic development of a country. Industrial development provides better employment opportunities. It plays a crucial role in achieving the objectives of structural diversification; modernisation and self reliance in our country. "Industrialization of a basically agricultural primary export-oriented economy was seen as the means by which the chains of dependence enforced during the colonial period could be broken matching the newly acquired political independence, with economic independence." Industry requires:

- generation of electricity and power,
- exploitation of natural and forest resources,
- building network transport and communication systems
- expansion of markets at a faster rate.

Thus industry has better linkage with other sectors of the economy than agriculture. A significant feature of the Indian economy since independence is the rapid growth of modern small-scale industrial sector Looking back to the Industrial Policy Resolution 1948 and 1956: we find that it stressed the need for development of cottage and small-scale industries for creating additional employment, increasing production, equitable

distribution and the role of State Government." Small-scale sectors, play an important role in the industrial development of the country, "contributing nearly 40 percent to the gross turnover in the manufacturing sector, 45 percent of manufacturing exports and 34 percent of the total exports."

1.3 **Financial Management:**

When capital is invested in an enterprise it shall become the responsibility of the management to administer the financial affairs with caution and wisdom to achieve overall objectives of the business undertaken by the enterprise. Financial management is that administrative function which relates to the arrangement of cash and credit that the organization may have the means to carry out its objectives as satisfactorily as possible.

According to Solomon, "Financial Management is concerned with the efficient use of an important economic resource, namely capital funds." Effective management of finance is indispensable for every firm, without it assets and capital soon leak away. Good financial management alone can not guarantee that a business will succeed in giving a fair rate of return. It cannot make up for a decision to enter the wrong industry. It can not store for poor management of sales, costs etc. Financial management is thus, a necessary condition for business success, but not a sufficient one."

Nowadays financial management is the responsibility of obtaining and effectively utilizing the funds necessary for the efficient operation and effective working organization of an industry. The finance function rotates around the management of funds - raising and using them effectively.

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1.4 Financial Management in SSI Unit:

Finance is the management of the monetary affairs of an industry. It is the common denominator for a vast range of corporate objectives and the major part of any industrial plan must be expressed in financial terms, which is a study of money management. The field of finance is closely allied to the field of economics and accounting. Today, in the subject of management, finance occupies an important place as an input of every economic activity, industrial activity etc. Most studies pointed out that finance is one of the major problems of SSIs. "The International Planning Team, which visited India in 1954, concluded that there was a severe lack of capital as well as credit largely because of low productivity and over population in many branches of small industry".  

The problem of credit and finance faced by SSIs is obviously inter-related to the problem of production, management and marketing of their products. Effective application of fund or finance determines the success or failure of an organization. "The society of social and economic studies emphasized the dearth of capital that resulted from a low income level, a small capacity to save and hence a lack of capacity to invest." 

"A study of Bombay revealed that of the 1960 interviewed entrepreneurs, 634 or 60 percent saw no way of improving their techniques of production. The difficulties were: lack of space, lack of finance, lack of adequate demand, Government restrictions, lack of power supply and inferior quality product". 

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The main objective of the management of finance with regard to SSIs in relation to the Government of Assam and Manipur are:-

i. Finance assistance in the form of loans, subsidies, concessions and incentives.

ii. Assistance in marketing: both rural and urban areas.


iv. Technical assistance to workers.

v. Provision of power facilities to both rural and urban areas

vi. Provision of infrastructure.

The importance of the overall management of finance in SSIs could be overemphasized because the main objective of the Government of Assam and Manipur for promoting SSIs is to create employment opportunity.

1.5 Importance of Finance in SSIs:

Small-scale industries have a significant role to play in socio-economic upliftment of underdeveloped countries. It has been accorded a vital role by the Government of India for achieving socio-economic objectives. Studies conducted on the problems of small scale industries have generally pointed out that finance is the 'life-blood' of an industry and it is one of the major hurdles of small scale industries. Thus, an efficient use of capital is the essence of financial management. An industrial planning team invited to suggest measures for the development of SSIs found as early as in 1954 that "there was a severe lack of capital as well as credit largely because of low productivity in many branches of SSIs"\(^{11}\) P.N. Dhar in his survey of SSIs in Delhi found that the only source of external finance consist of relatives, friends and traders.

"The smooth flow of finance is a natural corollary of the process of economic development. Moreover, the finance sector needs to have an integrated character where different types of financial institutions play a complementary role in such a way that there is an effective supply of credit."\textsuperscript{12} The financial sector in India has undergone significant changes under the era of economic reforms, which was inaugurated during 1990s."The Indian credit system has the hegemony of commercial banks. These banks satisfy the major share of credit needs of the small-scale industries in India."\textsuperscript{13} However, the limitations of commercial banks to cater to the needs of these industries have now been well accepted. India, therefore, has set several innovations in the areas of indigenous banking, micro credit, and development banking.

Following the much-quoted Nayak Committee recommendations the Government of India announced the Seven Point Action Plan (SPAP) in 1995-96 in order to ensure the availability of timely and adequate credit to the SSI sector. The SPAP sought to motivate the banking sector to be SSI friendly. It is not without reason that no society can work out its perspective development, based purely on the promotion and growth of large-scale industries. Small-scale industries are bound to exist side by side with large firms. Government of India has been giving increasing emphasis on small-scale industries development in the successive five year plans. Small Scale industry serves as a tool to achieve the social objectives of balanced regional growth and reduction of disparities of these industries has been phenomenal; in India since independence. It is heartening to note that its performance has been almost very close to its role as envisaged in successive industrial policy resolutions and statements.

Inspite of the fact that a major shift has taken place in our economic policy with the dawn of liberalisation, the role and contribution of small scale industries can not be viewed as less significant. Rather, efficient and economic functioning of these units has

\textsuperscript{12} Finance for Small Enterprises: P.M. Mathew; Finance for Small Enterprises in India; Published by Institute of Small Enterprises and Development, page 1.
\textsuperscript{13} Abid. Page 2.
become more crucial for the success of our endeavour in the direction of liberalisation and globalisation.

Hence, the researcher felt like going a little bid deep into financial assistance and credit facilities in such units with special reference to Assam and Manipur. Among the North Eastern Region states, Assam and Manipur are in a better position i.e. industrially developed to some extend. Manipur is lacking far behind comparing with Assam though industrialist see some future prospect in the State. And if we see the overall performances, the North Eastern Region is one of the least industrialized zones in the country. Whatever little has been done in this region is in the form of small-scale industrial sector.

Inspite of all the encouragement and assistance provided by government and other various agencies, the pace of development has been very poor that too with a narrow encompass. There is no large-scale industry in the state of Manipur. And the biggest problem for cottage and small scale industries is that of obtaining necessary finance. The artisan requires finance for purchasing raw-materials, working expenses and accommodation between production and sale of the products and holding his finished articles. This leads to instability of his profits which deters banks from giving unsecured loans. It is difficult for him to obtain the money that he requires from banks or even from co-operative credit societies, for his assets are negligible and he cannot furnish sufficient security. The Industrial Planning Team recognized this. In their report they stated that in most of the workshops visited, real finance did not see to exist at all. There was a lack of capital as well as of credit. They seemed to rely on dealers when buying raw-materials as well as when marketing their products. Government assistance of finance in the field of small-scale industries of Assam and Manipur are inadequate. Most of the entrepreneurs of Assam and Manipur and the officials of commercial banks had said that commercial banks were not in favour of financing small-scale industry in the informal talks with the researcher.
Small-scale units doing jobs for supplying goods to Government departments suffer owing to the delays in payment of bills for months and years and funds involved in those transactions remain blocked for long without their financial investments being ploughed back into the industry in time. In contrast with this situation, any application to the Government for the supply of raw-materials is required to be accompanied by some advance payment. It may take fairly long time for the Government to supply the materials or for the units to be told that particular material indented is not available.

1.6 **Objectives of the study:**

In order to bring out the clear analysis of financial management of small-scale industries of Assam and Manipur, the specific objectives of the present studies are:

1. To analyze the various sources of funds available to small scale industrial units and its applications.
2. To evaluate the performance of the small-scale industries
3. To study and analyze the pattern of investment of small scale industries and the various problems faced by the small scale industries of Assam and Manipur
4. To examine the loaning procedure followed for financing small-scale industrial units
5. To suggest measures for development of small-scale industrial units based on the findings of the study.

It is hoped that this study would help to highlight some of the crucial aspects of financial management whose mismanagement or inefficient management has been considered to be one of the reasons for sickness in small units.
1.7 **Profile of Manipur:**

"In the wake of independence of India, on 15th August, 1947, the princely state of Manipur ceased to be Vassal State under the British."\(^{14}\) Manipur came under the British rule in 1881 as a princely state. Independence brought about a merger with the Indian Union in October, 1947, becoming a 'C' state under the Chief Commissioner.

In the North- East corner of India, bordering Burma lies the picturesque land of Manipur, a State of exquisite natural beauty and splendor, which, Mrs. St. Clair Grim wood described as a "Pretty place, more beautiful than many of the show place of the world."\(^{15}\)

The state of Manipur consists of nine Administrative Districts, viz. Imphal East and Imphal West Districts, Chandel District, Senapati District, Ukhrul District, Thoubal District and Tamenglong District, Bishnupur District and Churachandpur District. Four districts are in the valley and five districts are in the hill. Imphal east and Imphal West were divided only in 1997.

"Manipur has a total area of 22,327 sq. km. of which nine- tenth consists of hills and only one-tenth comprises the valley."\(^{16}\) The valley lies in the heart of the state and the hills surround it. So, the state looks like a cup in shape rimmed by hills running north south in parallel folds. "The average elevation of the valley is about 790 m. above the

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**Footnotes:**


mean sea level and that of the hills in between 1,500 m. and 1800 m." 17 It is one of the Border States in north-eastern part of the country having an international boundary of about 352 kms. long stretch of land with Myanmar on the east. It is bounded by Nagaland on the North, Assam on the west and Mizoram on the South States of the Country.

"There are two main rivers in the state, namely, the Imphal river and the Barak river. The former belongs to the Chindwin - Irrawadi system while the latter belongs to the Brahmaputra Ganga system. There are also eight other rivers flowing in the state, which are Thoubal river, Naga river, Irang river, Leimatak river, Sekmai river, Chakpi river, Lokebao river, Irl river, etc. Besides, there are numerous streamlets in the state. The famous Loktak Lake of Manipur lies in the heart of Moirang in Bishnupur district which is the Kohinoor of Manipur and is situated at about 45 kms from Imphal." 18 The rainfall varies from 100 cm. to 175 cm. at different centers in the state.

The climate of Manipur is generally cold and pleasant. However, some places like Jiribam and Moreh are hot in summer and places like Ukhrul, Mao, Tamenglong get cold in winter.

The State of Manipur is land-locked and it does not have any waterways and effective railway (despite a railhead in Jiribam in the South-western border) transport system to link with other states of the country. Roads constitute the most important transport system. The state is also connected by air with other states of India. However, roads constitute the most important transport system. Three national highways, NH-39, NH-53 and NH-150 connect the state with the rest of the country. NH-39 links Imphal with the railway head of Dimapur in Nagland at a distance of 215 kms. to north, NH-53 with Silchar in Assam towards the South-west and NH-150 connects Imphal to Aizawl in

18. Physical Achievement on District Industries Centre Programme, Directorate of Industries, Government of Manipur.
Mizoram. Out of these three National highways NH-39 still continues to be the main lifeline of the state of Manipur. Another railway line is proposed to be set up connecting Karong with Diphu in Assam. "Costing Rs. 1.650 crores the project is expected to take 12 years to complete due to the rugged terrain. The state government has also proposed another broad gauged line between Jiribam and Imphal which is shorter and is likely to have a gestation period of about 8 years". 19

The Imphal Airport has been modernized by Airport Authority of India Ltd. strengthening security and passenger amenities. Regular flights connect the State Capital with Guwahati, Calcutta, Delhi, Aizawl, Silchar and Jorhat. Air travel in the NE Region continues to be subsidized. Regarding Telecommunication, "there were 676 post offices, 48 post & telegraph offices and 29 telephone exchange facilitating communication and connectivity in the state. The average population served per post office is 30202" 20 Fax, private courier, speed post, E-mail, internet connectivity are available in the state capital.

The beautiful mountainous is famous for her salubrious climate, colourful dances, handlooms and handicrafts products. This valley, which is also like a "Rice Bowl" of the state, has one of about 2238 square kilometer constituting only about 10 percent of the total State's area, but about 65 percent of the State's population is concentrated in it. In fact, the hills of Manipur cover more than nine-tenths of its total area.

"The state has population of 23.88 lakhs as per 2001 census as against the population of 18.31 lakhs as per 1991 census registering a growth rate of 30.02% during 1991-2001 as against a growth rate of 29.29% during 1981-91 period. It has a lopsided

population distribution with 59% living in the valley and 41% thinly dispersed in the hill area.21

The state of Manipur has a high rate of unemployment particularly among the uneducated youth. The number of persons on the live register in Employment Exchanges was of the order of 2.28 lakhs as on 30.06.1993. This has increased to 3.97 lakhs as on 31.12.2000. This was only 0.20 lakh in 1974. In addition, the problem has been accentuated due to the fact that avenues for private employment are restricted. Unemployment problem in the state is mainly responsible for social tension through manifestations in the form of drug addiction, urban unrest, secessionism and internecine clashes. This causes a strain on the resources of the state and hampers development activity. Unless immediate measures to improve the economic conditions of the people are taken, the state may face serious socio-potential problems as well as socio-economic problems in the near future. It is very unfortunate that the state government and the central government had not realized the seriousness of the acute unemployment situation presently faced by the state.

It has a rich cultural heritage but the economic condition of the farmers is deteriorating. With the increase of population, the number of unemployed persons and landless farmers are increasing day-by-day. Agriculture land has become more and more fragmented. The farmers use the most advanced type of cultivation and try to collect some paddy for their livelihood out of the piece of land in possession. Manipur is lagging far behind other states of the country in terms of availability of infrastructure for social and economic development. Further, the imbalanced development between the hills and valley has added to the socio-economic and socio-political problems.

1.8 Profile of Assam:

Location:

Assam, a constituent state of India, is located in the North-Eastern part of the country. The state is bounded by Bhutan an Arunachal Pradesh on the north; Arunachal Pradesh, Nagaland and Manipur on the East; Mizoram and Meghalaya on the South; and Bangladesh on the West. The State is open to the mainland of the country in the west through a narrow corridor (35 Kms wide) between Bangladesh and Nepal. The State has an area of 78,438 sq. Km.\textsuperscript{22}

Physiography and drainage:

Diverse features such as floodplains, scattered hillocks, folded hill ranges and old plateau are characterized the physiographic of Assam. On the basis of the physiographic characteristic. Assam is broadly divided in to three major divisions:

a. Brahmaputra valley:

Extending east west fort about 725 Km with an average width of 80 Km, the Brahmaputra Valley is an important physiographic unit. The Meghalaya plateau and the hills of Karbi-along gently slope down to the valley, while the Lesser Himalayas on the north drops abruptly to the valley. The valley is dotted with occasional hillocks locally known as tila.

Numerous small and big tributaries from north and south join the Brahmaputra. The important north bank tributaries are Subansiri, the Bharati, the

\textsuperscript{22} Note on Industrialisation of Assam, prepared by Directorate of Industries, Assam, Bamunimaidan; Guwahati.
Puthimari, the Pagladi, the Manas, the Ai, and the Sonkosh. The sources of these tributaries lie in the Eastern Himalayas. The major south bank tributaries are the Bruhidihing, the Dhansiri, the Kopili, the Digaru, the Kulshi, the Krishna, and the Jinjirim.

b. The Hills of Karbi Anglong and North Cachar:

The hills of Assam are mainly confined to the districts of Karbi Anglong and North Cachar. The Karbi Hills are basically parts of Meghalaya Plateau and Rengma hills. The North Cachar hills, on the other hand are a part of the Barail range. "The average of the Karbi hills is 300-400 metres."\(^23\)

The area is drained by the kopili river system and the tributaries of the Kolong and Dhansiri. "The Barail range in the north Cachar divides the district into two parts. The higher portion of this range rises above 1,350 metres at places."\(^24\)

c. The Barak valley: Named after the River Barak.

The Barak valley on the Cachar plain lies in between north Cachar hills on the north and Mizo hills on the south. On the east of the plain stand the Manipur hills and on the west lies the Sylhet plain of Bangladesh. About three fourths of the valley area has an altitude less than 550 metres. The Jiri, the Diksha, the Chiri, the Mahura, and the Jatinga are the major tributaries of the Barak.


\(^{24}\) Note on Industrialisation of Assam, prepared by Directorate of Industries, Assam, Bamunimaidan; Guwahati.
Climate:

Assam falls within the regime of monsoon climate. Its climate is characterised by heavy rainfall in summer and drought in winter. Very high percentage of humidity and a relatively low temperature. Within the state there is a significant spatial variation in the climatic pattern primarily because of varying terrain condition. The state has an annual rainfall of 210 cm but it varied- between 125 cm to 330cm. The maximum average temperature is 30 deg. Celsius and minimum is 10 degree Celsius. The state normally experienced four climatic seasons: Pre monsoon, Monsoon, retreating monsoon, and dry winter.

Natural vegetation:

As compared to some other states of India, Assam is rich in natural vegetation. The vegetation of Assam can be classified into three main types: Evergreen, Mixed deciduous, and Reverie vegetation. The reserve forest covers 22% of the states total area. The valuable spices found in the forest of Assam include Sal, Teak, Siso, Bonsom, Hollong etc. In addition, Bamboo, Cane, and Thatches are also important forest products.

Population:

Assam is at present the home of several population groups as the tribal, the indigenous non-tribal, the tea garden laborers etc. These groups have their own traditions and culture. The total population of Assam was 55.56 lakhs in 1951 which increased to 198.9 lakhs in 1981 (projected) then to 223 lakhs in 1991. The growth rate of population in the state till 1971 had been relatively high compared to the average growth rate in India.(Population Growth rate of Assam Depicts in Table 1.1)
Table 1.1.

Population growth rate (%) in Assam and India
1951-91*

<table>
<thead>
<tr>
<th>Decade</th>
<th>Assam</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-61</td>
<td>35.06</td>
<td>21.52</td>
</tr>
<tr>
<td>1961-71</td>
<td>34.95</td>
<td>24.80</td>
</tr>
<tr>
<td>1981-91</td>
<td>23.58</td>
<td>23.50</td>
</tr>
</tbody>
</table>

*Source: Census India, 1951-91

*1971-81 decade growth is not shown as there was no census in Assam.

Among the districts, during 1971-91. Dhemaji registered highest population growth (104.48 %) followed by N.C. Hills (96.39 %), Krokajhar (75.94 %) and Karbi Anglong (72.79 %).

Density of Population:

The density of population in the state was 186 persons per sq. km in 1971 and which rose to 286 in 1991. The Brahmaputra Valley covering 72 % of the total area of Assam accounts for 68% of the population; the two hills districts of Karbi Anglong and N.C. Hills together covering 19.3 % of the total population. The Barak Valley, on the other hand, covers 8.7% of area but shares 11.9% of population of the state.

Sex ratio:

According to the 1991 Census the sex ratio i.e. females per thousand male population is calculated as 925 where in 1971 it was 896.
Literacy rate:

As per 1991 Census, the effective literacy rate for the state is estimated at 52.89%, where the male population covered by 61.87 %, and women by 43.03 %.

Urban Population:

The proportion of urban population in Assam remained substantially low as compared to the national average. In 1951, the urban population constituted 46 % of the total population of Assam (India 17.3 %), in 1961 it became 7. % (India 18.0 %). The percentage rose to 8.9 % in 1971 (India 19.9 %) and 11.1 % as against national average of 25.7 % in 1991. However, the distribution pattern of urban population clearly shows three areas of major concentration around Guwahati in the West, Dibrugarh-Tinsukia in the East and Silchar in the South. Only 11.09 % of the total population of Assam dwelt in the 87 urban centres of Assam. The process of urbanization is extremely slow in the hill districts.

Unemployment:

"The number of job-seekers in January, 1998 the state was 15.06 lakhs out of which 9.85 lakhs were educated while the number of disguised un-employment and under employment will be much higher".24

1.9 **Industrial Scenario of Manipur and Assam:**

In the world of today there is no nation, which can survive and find honorable position in the family of nations without proper industrial advancement. Absence of industries from a country makes the nation dependent on others and infringes the dignity of the people. Industrialization is the backbone of a nation.

Industry of any state or region is associated with the land and the people. This is very much applicable to the state of Manipur and Assam, which is situated, in the north-easterly corner of the country. It is inhabited by the talented people whose talents are not exploited up to the desired extent, when we are to discuss about the industry, several factors need to be considered. The related factors may be grouped into two i.e. potentialities and implementation.

North-easterly states are the most industrially backward states in the country. Within the north-easterly region of the country which is noted for its industrial backwardness, Manipur occupies a very low rank, as the state has no significant large and medium scale Industry worth naming. "The only large and medium industry in Manipur is the Spinning Mill Corporation Limited at Loitang Khunou producing 1000 kgs of cotton yarn 20s, 24s, 26s and 40s, the total employment is 626 as on 31.3.93". Now, the one and only medium industry is running loss. The existing majority industries are traditional cottage industries like handloom and handicraft, blacksmith, jewelry, cane & bamboo works etc. and small scale and tiny industries like carpentry, saw mills, rice milk, fabrication workshops, automobile repairing & servicing workshops, aluminum conductors, cycle rickshaw repairing workshops, dyeing and printing etc.

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It may be noted here that handloom is one of the industries which gives employment to women folk in large number. There is a huge demand for saris and chadors and a huge volume of handloom products are being exported outside the state of Manipur.

And the state of Assam occupies the leading rank among the north-eastern states. In Assam there are few worth naming medium and large-scale industries. In Manipur there is no large-scale industry except a medium scale industry i.e. spinning mill at Loitangkhunou, which is not earning profit now. Small industries and cottage industries fill the industrial picture of Manipur and Assam. But, the growth of these industries has been very tardy for a variety of reasons. It is worth noting that, the entire state of Manipur has been declared as industrially backward. Keeping this in mind the Department of Industries, Government of Manipur has been making persistent efforts for the rapid industrialization of the state.

The significance of growth of Small-Scale industries has been as one of the most striking features of the planned economic development. Small Scale sector has played and has potential to play a vital role in the fulfillment of our socio-economic objectives. It has appropriately been given strategic position in the economic development in a country like India whereas millions of people are unemployed and under-employed. 'Small Industries' are also important instrument for achieving socio economic objectives like creating more employment opportunities per unit of capital, removal of regional disparities and economic backwardness in the rural and less developed segments of the country.

The growth of small-scale industries in the North Eastern Region of India is very slow. The slow growth of the small-scale industry in this region has two well develop modern industries, viz., oil and tea. And the first plywood factory in the country was set up in the region and this industry is still one of the most important industries in the Private Sector in the region. The region is also endowed with rich resources like agriculture, horticulture, forestry, mineral etc., which can be utilized for industrial development. Inspite of these, the region continues to be industrially backward. The development of Small-Scale
industries within the region itself is not uniform. The growth of Small-Scale industry in the State of Manipur and Assam has been given in Table no 1.4 and 1.5 respectively. The overall performances of SSIs in India in terms of production, employment, export is shown in the following table No. 1.2.

**Table-1.2**

**OVERALL PERFORMANCES OF SMALL-SCALE SECTOR(INDIA)**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units in million</th>
<th>Production (in Crore) at current Price</th>
<th>Production (in Crore) at constant Price</th>
<th>Employment (in million)</th>
<th>Exports (US $ in bn) (at current Price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>2.39 (6.22)</td>
<td>2,41,648 (15.46)</td>
<td>2,41,648 (7.10)</td>
<td>13.94 (3.95)</td>
<td>8.07</td>
</tr>
<tr>
<td>1994-95</td>
<td>2.57 (7.53)</td>
<td>2,98,886 (23.69)</td>
<td>2,66,054 (10.10)</td>
<td>14.66 (5.16)</td>
<td>9.26 (14.75)</td>
</tr>
<tr>
<td>1995-96</td>
<td>2.66 (3.50)</td>
<td>3,62,656 (21.34)</td>
<td>2,96,385 (11.40)</td>
<td>15.26 (4.09)</td>
<td>10.9 (17.71)</td>
</tr>
<tr>
<td>1996-97</td>
<td>2.8 (5.26)</td>
<td>4,11,858 (13.57)</td>
<td>3,29,935 (11.32)</td>
<td>16 (4.85)</td>
<td>11.06 (1.47)</td>
</tr>
<tr>
<td>1997-98</td>
<td>2.94 (5.00)</td>
<td>4,62,641 (12.33)</td>
<td>3,57,749 (8.43)</td>
<td>16.72 (4.50)</td>
<td>11.96 (8.14)</td>
</tr>
<tr>
<td>1998-99</td>
<td>3.08 (4.76)</td>
<td>5,20,650 (12.54)</td>
<td>3,85,296 (7.70)</td>
<td>17.16 (2.63)</td>
<td>11.64 (2.68)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>3.21 (4.22)</td>
<td>572,887 (10.03)</td>
<td>4,16,736 (8.16)</td>
<td>17.85 (4.02)</td>
<td>12.51 (7.47)</td>
</tr>
<tr>
<td>2000-01</td>
<td>3.37 (4.98)</td>
<td>645,496 (12.67)</td>
<td>4,50,450 (8.09)</td>
<td>18.56 (3.98)</td>
<td>13.13 (4.96)</td>
</tr>
</tbody>
</table>

OVER ALL PERFORMANCE OF SMALL SCALE SECTOR

Fig. 1.1

![Graph showing the performance of small scale sector from 1993-94 to 2000-01.](image)

- No. of units in million
- Employment (in million)
- Exports (US $ in bn)

Fig 1.2

![Graph showing the trend of annual turnover in crores from 1993-94 to 2000-01.](image)

- At current Price
- At constant Price

Year

Re. In Crores

0 100000 200000 300000 400000 500000 600000 700000
The few industries existing in Manipur and Assam may be divided into two broad groups (i) Modern Small Scale Industries, which are registered units and may be classified as organized industries and (ii) the traditional cottage industries, which are unregistered units, which is the informal of unorganized sector. The registered units i.e. Modem Small Scale Industries may be sub-divided into seven categories:

i) Agro-based industries
ii) Forest-based industries
iii) Chemical-based industries
iv) Light Engineering industries
v) Mineral-based industries
vi) Live stock-based industries and
vii) Other industries

The important industries included within the category of traditional cottage industries are textile, handicrafts, poultry, carpentry, black smithy, sugarcane crushing, food processing, cane industries, etc.

The state Government during the year 1997-98 had been constantly putting their effort for the rapid industrialization of the state in order to generate gainful employment specially for its entrepreneurs. The state had also taken initiatives for setting up two trade centers at Imphal and Moreh, and an Export Promotion Industrial Park at Kakching. Due to political instability in the state during the period and the continuous change of the state Government till now, the present Government had to engage in carrying forward and complete the projects started by the earlier Governments.

There are a total of 8,771 Small Scale SIDO and Non-SIDO units registered with the DICs uptill 31.3.2000 with investment of 31.27 crores and production worth 135.68 crores providing employment to 45,909 people. What is worrysome is a trend of drop in the number of registered units in the last two years i.e. 1998-99 and 1999-2000. This trend is more prominent in the hill districts. (Depicted in Table 1.3)
Table 1.3.

DISTRICT WISE SIDO & NON-SIDO UNITS, INVESTMENT, PRODUCTION, AND EMPLOYMENT UPTO MARCH 2000 (EXCLUDING DE-REGISTERED UNITS) IN MANIPUR.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hill Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. CHANDEL</td>
<td>1793</td>
<td>326</td>
<td>1.21</td>
<td>5.19</td>
</tr>
<tr>
<td>2. CHURACHANDPUR</td>
<td>2712</td>
<td>522</td>
<td>2.0</td>
<td>5.96</td>
</tr>
<tr>
<td>3. SENAPATI</td>
<td>1293</td>
<td>290</td>
<td>0.9</td>
<td>3.74</td>
</tr>
<tr>
<td>4. TAMENGLONG</td>
<td>1752</td>
<td>477</td>
<td>1.12</td>
<td>6.17</td>
</tr>
<tr>
<td>5. UKHRUL</td>
<td>4284</td>
<td>744</td>
<td>2.85</td>
<td>11.42</td>
</tr>
<tr>
<td><strong>Valley Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. BISHNUPUR</td>
<td>3674</td>
<td>648</td>
<td>2.47</td>
<td>10.74</td>
</tr>
<tr>
<td>2. IMPHAL EAST</td>
<td>477</td>
<td>80</td>
<td>0.91</td>
<td>3.54</td>
</tr>
<tr>
<td>3. IMPHAL WEST</td>
<td>26262</td>
<td>5146</td>
<td>16.57</td>
<td>77.92</td>
</tr>
<tr>
<td>4. THOUBAL</td>
<td>3662</td>
<td>538</td>
<td>3.23</td>
<td>11.00</td>
</tr>
</tbody>
</table>

| Total             | 45909                     | 8771                    | 31.27                     | 135.68                    |

Source: Directorate of Industries, Government of Manipur.

Trade-wise, the most important industries are wood based, textile based, food processing, and miscellaneous services. Traditionally industries concentrated in Handloom/Handicraft, wood based and food industries like fish, bamboo shoots, soyabean fermentation, and aluminum utensils etc. "Gradually with increase in income and
population construction based activities came up. Brick making, steel fabrication, jewellery making, cement jellies, fruit processing, plastics, etc. came up. Trade-wise data is not available for all districts. However a perusal of available figures shows low diversification and in the last few years few units have come up. (Depicted in Table 1.4)

### Table 1.4

**GROWTH OF SSIs IN MANIPUR AS ON 31.3.2000**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>No. of units both SIDO &amp; NON- SIDO</th>
<th>Investment on plant &amp; Machinery (Rs. Crore)</th>
<th>Production (Rs. Crore)</th>
<th>Employment (No.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>6788</td>
<td>20.70</td>
<td>94.81</td>
<td>33,390</td>
</tr>
<tr>
<td>1991-92</td>
<td>7392</td>
<td>22.63</td>
<td>101.45</td>
<td>63,910</td>
</tr>
<tr>
<td>1992-93</td>
<td>7696</td>
<td>23.61</td>
<td>106.90</td>
<td>38,40</td>
</tr>
<tr>
<td>1993-94</td>
<td>8096</td>
<td>24.74</td>
<td>116.70</td>
<td>39,680</td>
</tr>
<tr>
<td>1994-95</td>
<td>8341</td>
<td>26.41</td>
<td>132.16</td>
<td>42,613</td>
</tr>
<tr>
<td>1995-96</td>
<td>8612</td>
<td>28.43</td>
<td>127.05</td>
<td>43,842</td>
</tr>
<tr>
<td>1996-97</td>
<td>8918</td>
<td>29.43</td>
<td>132.10</td>
<td>45,362</td>
</tr>
<tr>
<td>1997-98</td>
<td>9090</td>
<td>30.05</td>
<td>134.89</td>
<td>46,390</td>
</tr>
<tr>
<td>1998-99</td>
<td>9241</td>
<td>30.93</td>
<td>139.41</td>
<td>47,155</td>
</tr>
<tr>
<td>1999-2000</td>
<td>8771</td>
<td>31.27</td>
<td>135.68</td>
<td>45,909</td>
</tr>
</tbody>
</table>

Source: Directorate of Industries, Government of Manipur.

---

Khadi and Village Industries (KVIC):

There are 14,490 existing village industry units financed by Khadi & Village Industries Board. The cumulative production of units up till 1999 March was Rs. 47 crores and total employment generated was for 32,744 persons. Most important village industries are carpentry and black smithy, pulses & cereals processing and cane & bamboo. In the year 2000 following district-wise no of production units and no of employment is registered (Depicts in Table 1.5)

<table>
<thead>
<tr>
<th>District-wise</th>
<th>No. of Production Units (Rs. In lakhs)</th>
<th>No. of Employment (No. of persons in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imphal West</td>
<td>184</td>
<td>8,785</td>
</tr>
<tr>
<td>Imphal East</td>
<td>104</td>
<td>6,428</td>
</tr>
<tr>
<td>Thoubal</td>
<td>103</td>
<td>7,300</td>
</tr>
<tr>
<td>Bishnupur</td>
<td>91</td>
<td>4,830</td>
</tr>
<tr>
<td>Churachandpur</td>
<td>24</td>
<td>1,406</td>
</tr>
<tr>
<td>Ukhrul</td>
<td>17</td>
<td>139</td>
</tr>
<tr>
<td>Tamenglong</td>
<td>8</td>
<td>9,511</td>
</tr>
<tr>
<td>Senapati</td>
<td>11</td>
<td>134</td>
</tr>
<tr>
<td>Chandel</td>
<td>8</td>
<td>118</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>550</strong></td>
<td><strong>38651</strong></td>
</tr>
</tbody>
</table>

*Source: KVIB (Khadi and Village Industries Board)*

"The financial year under review was a tough year for the Government of Assam. However a continuous effort was made by the Govt. to promote the rapid growth of industries in the state, mainly in the small-scale sector. In this connection, a new Industrial Policy was adopted by the Govt. incorporating various fiscal incentives to attract new investment and was made effective from 1st April, 1997. At the effort of the State Govt., the Central Govt. had sanctioned two growth centres, one at 'Matia' of Goalpara
district and the other at 'Balipara' of Sonitpur district of Assam". The Government had initiated different gainful economic schemes in power, social welfare, town planning & Guwahati Development, medical, veterinary, agriculture, irrigation, transport, science &technology in the year 1997-98. Inspite of all these efforts, a kind of recession was prevalent in the market economy of the state. "Till the year 1998-99 29, 828 SSI units were set up in the state giving employment to 1,46,222 persons employment.” (Depicted in Table 1.6)

Table -1.6.

GROWTH OF SSI UNITS OF ASSAM DURING THE YEAR
1990-91 TO 1998-99

<table>
<thead>
<tr>
<th>YEAR</th>
<th>No. of Units (In thousands)</th>
<th>Employment (in thousand)</th>
<th>Fixed Investment (Rs. million)</th>
<th>Production (Rs. million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>10,265</td>
<td>58,746</td>
<td>2,198</td>
<td>4,192</td>
</tr>
<tr>
<td>1991-92</td>
<td>12,649</td>
<td>70,057</td>
<td>3,055</td>
<td>4,456</td>
</tr>
<tr>
<td>1992-93</td>
<td>15,527</td>
<td>83,136</td>
<td>7,145</td>
<td>4,725</td>
</tr>
<tr>
<td>1993-94</td>
<td>18,084</td>
<td>94,847</td>
<td>10,257</td>
<td>4,884</td>
</tr>
<tr>
<td>1994-95</td>
<td>20,387</td>
<td>108,375</td>
<td>12,453</td>
<td>5,028</td>
</tr>
<tr>
<td>1995-96</td>
<td>23,131</td>
<td>118,657</td>
<td>13,044</td>
<td>5,316</td>
</tr>
<tr>
<td>1996-97</td>
<td>25,562</td>
<td>131,248</td>
<td>13,697</td>
<td>5,575</td>
</tr>
<tr>
<td>1997-98</td>
<td>27,742</td>
<td>139,864</td>
<td>14,249</td>
<td>5,759</td>
</tr>
<tr>
<td>1998-99</td>
<td>29,828</td>
<td>146,222</td>
<td>14,821</td>
<td>5,965</td>
</tr>
</tbody>
</table>


Inspite of the growing industries, we cannot ignore the fact that many of the industrial units of Manipur are facing problems of non-availability of material, shortage of working capital, poor quality of products. And after the aspiring units start with great expectation the enthusiasm ends up being a sick unit.

"Thus Manipur continues to be one of the most backward states in the country. As per the index of Development of Infrastructure for 1991-92 prepared by the center for Monitoring of Indian Economy, Manipur occupies a low place in the race. In terms of infrastructural development, the state lags behind the rest of the country by 21%."  

1.10 Regional Imbalances:

Historically, the existence of backward region started from the British rule in India because they helped the development of only those regions which facilities manufacturing and trading activities. So the three metropolitan cities namely Calcutta, Bombay and Madras attracted most of the industries and the rest of the country remained backward. Moreover, the absence of effective land reforms allowed the structure on most of rural India to remain inimical to economic growth. Further physical geographic conditions also control economic growth and climate also determines the nature of the industry to be set up. Some regions are preferred because of certain located near the source of raw materials. New investment in the private sector also has a tendency to concentrate in already well-developed areas in order to enjoy the benefit of external economics.

Apart from variations in the levels of development between states exist within each state and even in advanced states there are certain areas, which are backward. In advanced states, there is a marked in the location of new units. For example in West

Bengal, about 70 percent of new industrial capacity was located in the Hoogly district. Similarly, in Maharashtra about 85 percent of registered factories were concentrated in new urban areas. 40 percent of registered Small Scale Industries are located in Kamrup district in Assam.

The Co-existence of relatively developed and economically depressed States and even regions within each state is known as regional imbalance. It may be due to unequal natural endowments or man-made in the sense of neglect of some regions and preference for others in the development effort. Regional imbalances may be interstate or intrastate, they may be total or sectoral. As a result, some states are economically advanced while others are relatively backward. The main reasons for regional imbalances are the geographical isolation, inadequacy of transport, labour etc. And climate also plays an important role in the poor economic development of many regions. Even though balance regional development was strongly emphasized in the Industrial Policy Resolutions, it was not implemented by the planners and licensing authorities. The more developed States were favoured and the less developed States were rejected in the planned outlay, the first of five States like Haryana, Punjab, Maharashtra received a larger allocation of funds in most of the Five East Regions got only a minor share of funds.

The first plan did not refer to the problem of regional imbalances. However, the Second and Third Five Year Plans mentioned the necessity to locate the basic industries in less developed areas as a means of achieving regional development.

The planning commission in India sought to tackle the problem of regional disparities and backwardness by the following measures:

1. The recognition of backwardness as a factor to be taken into account in the transfer of financial resources from the centre to States.
2. Special area development programmes directed at development of backward areas and
3. Measures to promote private investment in backward areas.
There is however some basic difficulties in solving the problem of regional disparities and backwardness through transfer of resources from centre to States. There is no guarantee that such funds would automatically be used for the development of backward areas, rather it may be directed to other favourable areas.

1.11 Need for small-scale industries in Manipur and Assam:

The need and importance of small-scale industry can be highlighted from the following points:

First, Small-scale industries are labour intensive provide a helping hand to curve the burning problem of unemployment of India. They have already provided employment to 8.56 million (according to Laghu Udyog -Samachar, 2002) People of the country in the year 2001. Secondly, SSIs require less capital. As a developing country, India can easily expand the small-scale industry investing less capital. Again SSI helps to reduce regional imbalance, which is a common phenomenon of underdeveloped countries. SSI prevents the concentration of industries and economic power in a few hands or in a few places. Industries can be decentralised by setting more small-scale units in different backward areas and thus the average standard of the living of the people also can be raised. Besides SSI maintains a healthy balance between the rural and urban areas. It can help to develop the agriculture-based economy of villages in the states of Assam and Manipur can prevent the excessive flow of labour from rural areas to overcrowded cities. In this way it can be found that the SSI occupies an important place in bringing about socio-economic changes as well as economic growth in the state of Assam and Manipur, as they are not only instruments of changes but vehicles of growth and diversification.

Therefore, it is no doubt, good to set up heavy industries spending 20 or 30 crores and giving employment to a few thousand people, but perhaps if the same amount is distributed in different states and different corners, a large number of People could be employed and greater industrial knowledge could be spread through out the country.
The survey conducted by the Ministry of Small Scale Industries, 2000-2001 has acknowledged the vital role played by the small-scale sector in the national economy. The survey mentions that small-scale sector, has played an important role in the socio-economic development of the country during the last 50 years. The sector has significantly contributed to the overall growth in terms of the gross domestic Product (GDP), employment generation and exports. Performance of the small-scale sector, therefore, has a direct impact on the growth of the overall economy. The performance of small-scale sector as evident from the critical parameters like number of unit, production, employment and export, is given in table 2.1.

According to projection as made by the ministry of small-scale industries during 2000-2001, the small-scale sector grows in production by 8.23 percent over the previous year and the small-scale industrial sector as a whole by 5 percent during 2000-2001. It contributed about 40 percent towards the industrial production as a whole and 35 percent of direct export from the country.

The survey also pointed out that the government of India has been taking various measures from time to time in order to enhance the SSI sector. In pursuance of the comprehensive policy package announced in August, 2000 the major developments that have been taken place in the SSI sectors are briefly to facilitates the growth of small scale units and to remove certain impediments in the availability of credit marketing and technology etc.

The development of small scale Industries within the North-Eastern region itself is not uniform. The North-East Region which comprises of Arunachal Pradesh, Assam, Manipur, Nagaland, Meghalaya, Mizoram and Tripura and Sikkim are industrially backward. Not to speak of large-scale industries, even the development of small-scale sector is slow. The development of small- scale sector within the region itself is not uniform. More than 50 percent of the SSI units in the region are concentrated in Assam and Manipur. Between the two states also there is much difference in the number of registered and non-registered units. On first January 2000 the registered SSI units in Assam were
33276 (as disclosed by the officials of Udyog Bhavan) whereas there are only 5779 registered units as on 6.6.2000 in Manipur i.e. only 18% of registered unit of Assam as on 1st January 2000. As North East India is industrially backward and has been declared as category 'A' and industrially backward region because of its low level of industrial development. Industrially backwardness is in spite of the fact that the region has full potential of industrial development and there is also good market, both internal and external. Moreover there are two well-developed industries in Assam Viz., Oil and tea. At the same time it is also true that most of the units of Assam and Manipur are resource based like fruit preservation, agro-processing, timber processing and the like. The following table shows the growth rate of SSIs in Assam and Manipur in comparison with India during the year 1993-94 to 1998-99. (Depicted in Table 1.7)

**Table No. 1.7**

**GROWTH OF SSIs IN ASSAM AND MANIPUR TO INDIA**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assam</td>
<td>Manipur</td>
</tr>
<tr>
<td>1993-94</td>
<td>18,084</td>
<td>5,134</td>
</tr>
<tr>
<td>1994-95</td>
<td>20,387</td>
<td>5,357</td>
</tr>
<tr>
<td>1995-96</td>
<td>23,131</td>
<td>5,576</td>
</tr>
<tr>
<td>1996-97</td>
<td>25,562</td>
<td>5,805</td>
</tr>
<tr>
<td>1997-98</td>
<td>27,742</td>
<td>5,963</td>
</tr>
<tr>
<td>1998-99</td>
<td>29,828</td>
<td>6,090</td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled from various tables of Appendices, SIDBI Report on SSIs Sector 2000.
The Percentage of the growth of SSIs in Assam and Manipur to India can be represented by the Line Bar Chart as follows:

Fig-1.3
1.12. Concept and Definition of Small Scale Industry:

The concept and Definition of small-scale industry differs from country to country. Generally, the definition of small-scale industries is based on criteria of the following:

a) Number of workers employed
b) Amount of Capital employed
c) Value of amount turn over etc.

In India, the first working definition of the small scale Industry was given by the Small Scale Industries board in 1955 as "a unit employing less than 50 persons, if using power, and less than 100 persons without the use of power and with capital assets not exceeding Rs.5 Lakhs."\(^{30}\)

In the year 1960, the same board redefined small-scale industries, as small-scale industries will include all industrial units with a capital investment of not more than Rs. 5 Lakhs irrespective of the number of persons employed.

At the same time this concept of ancillary industry was introduced in the same scale sector. This concept was used to mean those industries, which manufacture products for other industries. The definition of SSI was modified again in 1966 extending the "capital investment limit to not more than 7.5 lakhs in plant and machinery. The ceiling was raised again to Rs. 10 lakhs for SSI and 15 lakhs for ancillary unit in 1975."\(^{31}\)

A new concept of tiny industry within the Small-Scale industry was included in 1977. The tiny industries located in rural areas and small towns with a population less than 50,000 and with a capital investment of Rs. one lakh or less in plant

---

and machinery. Again, the ceiling on investment was raised to Rs. 25 Lakhs for ancillary and to Rs. 20 lakhs for small scale and Rs. 2 lakhs for tiny units in 1980.

Again, the investment limit was raised to Rs. 60 Lakhs for Small-Scale units and Rs. 75 lakhs for ancillary and Rs. 5 lakhs for tiny units in April 1991.

"The investment limit for small scale and ancillary units was raised to Rs. 3 Crores in February 1997 in line with the recommendation of the Abid Hussain committee. The investment limit for tiny units has also been hiked to Rs. 25 Lakhs.

The Government had earlier notified its decision to increase the investment limit on plant and machinery in respect of small scale/ ancillary industrial undertakings upto Rs.300 lakhs by an order in the next extra- ordinary issue of the Gazette of India dated December 10 1997. Subsequently they have been requested to reduce the investment limit on plant and machinery in respect of small scale / ancillary industrial undertakings from Rs. 3 crores to Rs. 1 crore. The investment limit for tiny units would however continue to be at the level of Rs. 25 lakhs.

The decision of the Government to stipulate the investment limit in fixed assets in plant and machinery in respect of small scale / ancillary industrial undertakings whether held on ownership terms or on lease or on hire purchase at the level of Rs. 1 crore has been notified in the extraordinary issue of the gazette of; India dated 24, 1999.\(^{32}\)

"Thus, definition of SSI and the investment criteria have un-gone changes from time to time. An attempt has been made to analyse the quantitative changes in the investment ceiling in plan and machinery in real terms from 1966-67 until 1999-2000. This has been done by deflating the nominal asset values at 1970-71 prices to arrive at the effective increase in the upper limit on investment for SSIs, in actual terms."\(^{33}\) The upward

\(^{33}\) Small Industries Development of India Report on SSI Sector, 2000, p-30
revisions in the investment ceilings in plant and machinery both for SSIs and ancillary over the years are represented in table -1.8.

**Table-1.8.**

<table>
<thead>
<tr>
<th>Year</th>
<th>SSI Nominal</th>
<th>SSI Real</th>
<th>Ancillary Normal</th>
<th>Ancillary Real</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>0.75</td>
<td>0.95</td>
<td>1.00</td>
<td>1.26</td>
</tr>
<tr>
<td>1975-66</td>
<td>1.00</td>
<td>0.58</td>
<td>1.50</td>
<td>0.87</td>
</tr>
<tr>
<td>1980-81</td>
<td>2.00</td>
<td>0.85</td>
<td>2.50</td>
<td>1.05</td>
</tr>
<tr>
<td>1985-86</td>
<td>3.50</td>
<td>1.06</td>
<td>4.50</td>
<td>1.34</td>
</tr>
<tr>
<td>1991-92</td>
<td>6.00</td>
<td>1.18</td>
<td>7.50</td>
<td>1.48</td>
</tr>
<tr>
<td>1997-98</td>
<td>30.00</td>
<td>3.17</td>
<td>30.00</td>
<td>3.17</td>
</tr>
<tr>
<td>1999-2000</td>
<td>10.00</td>
<td>1.02</td>
<td>10.00</td>
<td>1.02</td>
</tr>
</tbody>
</table>

Note: The nominal asset values have been deflated by the whole sale price index for machinery and transport equipment at 1970-71 prices.

Source: Ministry of SSI and ARI, GoI (In respect of nominal value data)

### 1.13. SSIs’ Inherent Strength

The Small Scale Sector is the backbone of the country, and no economy in the world would afford to ignore this sector. Hence is our earnest desire that the Government should set up a Technology Transfer Fund for the SSI Sector at the national level which will offer greater financial assistance to the sector. The Government would do well to take immediate decision and to give a fresh lease of life to the Small Scale Sector.
The Small Scale Segment in India is huge. According to the Ministry of Industry, SSIs provide employment to nearly 16.7 million people which account for about 35% of the country's total exports and produce 40% of its manufactured goods. Despite its size and significance the Sector has always been at the receiving end, owing to their fragility as compared to large companies.

Languishing under State protection, the Small Scale Sector was suddenly exposed to the sweeping changes brought about by policy reforms relating to liberalization, privatization, and globalization after 1991. For SSIs, to brace themselves up to meet the challenges has arrived.

Policy reforms on different fronts have their own impact on the relativeness of small and medium scale enterprises against large companies and MNCs. The deregulation in Capital markets has favoured large companies, widening their access to both domestic and international markets.

But these options were not available to SSIs. While traditional sources of financing offered them little scope for expansion, alternative means like venture capital are yet to develop. Working capital available to SSIs has fallen drastically, while large companies, which have been affected by the deregulation of interest rates, have more options to cope with the shortfall in credit.

Similarly, the changes on the import since 1991 have meant that large numbers of items reserved for small industries are now freely importable. While the reforms have relieved large companies of transaction costs specific to small business services like quality financial services, availability of technology expertise, small companies have been at a disadvantage. They can no longer expect to survive on the strength of their lower costs. No price factors are the determinants for survival.

Also, while large companies have more freedom to enter into strategic alliances and joint ventures with overseas companies; small and medium companies have
limited choices. Since, Multi-National Companies can acquire equal or majority control, they are more willing to share technology. Collaborations between large companies and Multi National Corporations will also enable the transfer of tactical knowledge of firms that will form the basis of product innovation.

Small and medium companies, on the other hand, have more limited choices. Their potential partners overseas have a better reputation for innovation. But the investment climate in India is not good enough to attract them.

The economic and social frame works in the 1950s and 1990s, when policies were evolved for the Small Scale Sector, were different from that of today. Almost all-industrial activity was controlled by the industrial licensing system. Trade was controlled though the export - import control system. Foreign exchange was tightly restricted and foreign investment and technology heavily regulated.

Under these conditions, since industrial activity depended on the attainment of different Government approvals mostly at the central level, it was particularly difficult for small industries to enter the industrial sector. At the same time, there was a need to encourage entrepreneurship, which had been kept dormant during the colonial era.

Government activity was also marked by a missionary zeal and different types of extension activities in both rural and urban areas were started successfully by Government agencies. Small Scale Industries were thus protected through subsidies, concessions, reservations, and direct Government support to SSI units. Although small-scale industry generally means the modern industrial unit, it is hard to draw a distinction between traditional cottage industry and small-scale industry.

The seventh Five year plan clarifies the concept of this small scale industry in the following manner:- the village and the small industries is divided into eight sub-sectors. Viz. Khadi and Village industries, Sericulture, Handicraft, Coir, Small-Scale
industries and Power Looms while the last two represent the modern small industries the other six sub sectors constitute traditional industries.

The present study will cover those units as small scale and tiny units that come under the above definition as the administrative department of the Government and institutional agencies including the current banks follows this definition for extending finance to small scale industries.

1.14. Methodology:

To analyze and evaluate the objectives of the present study the primary data from the sample units were collected by the researcher through personal interviews, on the basis of the pre-tested structured questionnaire (Appendix -1.1). A sample of 100 (hundred) small-scale units from Manipur and 50 (fifty) sample units from Assam are selected for the purpose of collecting primary data. Due to some constraints like financial, social etc the researcher could cover only 50 samples from the larger and industrially more advanced State of Assam. And the aim of the researcher is to know and analyze the capability of entrepreneurs of Assam with regard to financial management in running the units and have a comparison with the entrepreneurs of Manipur. So, 50 sample units from Assam could serve the purpose.

All the units are divided into 16 (sixteen) broad industrial groups according to their nature. The study is mainly based on primary data supplemented with secondary data if available and found to be suitable.

The researcher collected secondary data from DIC, AFC, SIDBI, NEDFI, MANIDCO, IDBI, NABARD, RRB, Assam Industrial Development Corporations etc. Annual reports and publications of various financial institutions, publications and bulletins of Reserve Bank of India, Publications of State Directorate of Economics, and Statistics etc. are also used.
Informations are also collected from the officials of Industry Department, financial institutions and entrepreneurs' association of Manipur and Assam. The data thus, collected have been tabulated and put to statistical analysis through simple percentage, standard deviation, standard error, bar chart, pie chart and co-efficient of contingencies.

It was also made clear to the interviewed entrepreneurs/managers /officials of the units that the information so collected will be used exclusively for the academic purposes and that under no circumstance it will be divulged. The time taken to fill up each questionnaire varied between the entrepreneurs and officials of Manipur and Assam. Most of the entrepreneurs of Assam specially the entrepreneurs of Kamrup district took less time and promptly answered except some entrepreneurs of Cachar districts who are migrated from Manipur under some unavoidable circumstances. Some of them just refused to talk with. The researcher had to explain the questionnaire either in Hindi or Assamese i.e. local language to some of the entrepreneurs as they don't fully understand English. But the number was small. On the other hand, the entrepreneurs of Manipur have the habit of postponing and therefore they took more time comparatively. Some of the local bank managers took 6 months for filling up a single questionnaire and had to be reminded again and again whereas most of related information, bulletin and annual report of Assam Financial Corporation could be extracted from its Guwahati office within two days. Thus, questions in the questionnaire were explained in the local languages i.e. Manipuri in Manipur and either Assamese or Hindi in Assam to get the correct and accurate information. And sufficient precautions were also taken by the researcher to get correct/accurate information.
1.15 Limitations of the Study:

The researcher has tried to cover all the areas that relates to the financial management in Small Scale Industries of Assam and Manipur and also put all the effort and strength to analyse maximum up-to-date data available. But there were some areas that the researcher could not cover up due to time constraint, law and order situation problems in the country, unavoidable circumstances of the state and economic limitations etc. This thesis is the sincere try of the researcher to derive some useful new findings to fill the gap between the entrepreneurs of Manipur and Assam and the financiers so that the contributions of small scale industries in their respective states will be higher. This study may be the pioneer but not the last. Many researchers may come up and add to it.