CHAPTER II: DEVELOPMENT AND GROWTH OF SMALL-SCALE INDUSTRIES IN INDIA

In the previous chapter, the role of small-scale industries, in the economy of Iran was explained. The present chapter views the development and growth of small-scale industries in India.

The growth of small-scale industries forms an important segment of the development plans of several developing countries. This is because they play a key role, particularly in the areas of basic need-oriented industries. It has been established that these industries, as compared to large-scale industries, need a shorter gestation period and relatively smaller markets. The small-scale industry has a remarkable adaptability to semi-urban and rural environment where infrastructure is under-developed.

The development of small-scale industries in India presents a fascinating picture in the context of planned industrial development. The small scale industries have availed of all possible opportunities of specialisation in many important fields. These industries are in the process of assisting the economy to achieve a take off by generating on output and employment and by mobilisation of resources as well as by capital formation.

The small-scale industries have provided special dimensions to the programme of industrialisation by reducing regional imbalances, creating employment for unemployed persons and distributing income and economic power more equitably. Not only this, the development of small industrial unit has also facilitated effective mobilisation of
resources, capital and skill which would otherwise have remained unutilised.

Small-scale industry in India has been assigned an important place in the industrial policy resolutions and in successive five year plans. The government has introduced comprehensive programme for the development of small-scale industry and have set up several assistance agencies for providing finance, credit, guidance on production management, facilities for training, assistance in marketing and built-up accommodation. In view of the availability of these facilities, small-scale industries are placed in a favourable position to attain maximum production efficiency and to effect economies on the cost of production.

During the six year period of 1974-80, the value of production registered a growth rate of 6.8 percent per annum. The gross value added at factor cost rose from around Rs. 2800 crores in 1973-74 to Rs.4100 crores in 1979-80 (at 1970-71 prices) registering a growth rate of 6.6 percent.¹

The contribution made by manufacturing sector in the year 1979-80, was around 49 percent in terms of gross value of output and 51 percent in terms of value added. As regards employment, this sector has offered employment opportunity to about 23.58 million persons (both part-time and full-time) as against around 4.5 million persons estimated to be engaged in.

¹ Government of India, Sixth Five Year Plan, Para: 12.3
2.1 History of Small-Scale Industries

The history of small industry movement in India could be traced back to the days of "Swadeshi" movement, when India started doing things herself and the urge was experienced to develop the industries and skills of India's past. Independent India felt the need for modern small-scale industries and vested this sector with great national significance in the scheme of industrialisation.

2.1.1 Origin of Small-Scale Industries

It is very difficult to trace the origin of the small-scale industries in India. It is said that in olden days long-before Industrial Revolution in the West, India was considered as the industrial workshop of the world. In fact, India was the main supplier of textiles, calicls, muslins and metalware to the world market. However, the history of origin of modern industries in India can be traced to 1854 when cotton textile industry made its commencement in Bombay.

By the end of nineteenth century, the industrial pattern in India was largely based on urban handicrafts, cotton and jute textiles, coal mining, railways and allied industries, foundries, metallurgical plants, and ordnance factories.


2.1.2 Pre-Independence Development

No significant development of industries has been found in India before the First World War. Cotton textile, jute and coal mining were the main organised industries in India before the First World War. Indian industries suffered a set-back because of the step-motherly treatment rendered by the Britishers during their rule.

The industrial structure of India in olden times mainly consisted of village industries and as a result of British policy towards Indian industries, "By 1880 the decline in handicrafts was nearly complete and the mass of craftsmen had no new industrial means of livelihood".  

When the First World War broke out in 1914 there was an acute shortage of consumption goods. Supplies from various parts of the world were stopped due to the fear of sea risks. Thus a strong need for a sound industrial base in India was felt. Consequently an industrial commission with Sir Thomas Holand, as its chairman, was appointed to go into the problems of industrialisation.

The commission submitted its report in 1919 and made some specific recommendations. But its recommendations could not be implemented because of financial stringencies and other political considerations.

After the end of the war in 1918 the industrial situation of the country was reviewed by the then British Government. It was realised that India was left far behind the other industrially advanced

countries of the world. This lead to the appointment of First Fiscal Commission in 1921. Sir Ibrahim Rahmtoola, the chairman of the commission, in his report favoured a policy of discriminating protection for the growth and development of Indian industries. In pursuance of the recommendation of the First Fiscal Commission, a Tarif Board was constituted.  

Thus, after the end of the First World War new conditions favourable to the development of industries were created and for the protection of the indigenous industries, the government adopted a liberal policy called the policy of discriminating protection. As a result, there was great expansion of existing industries, specially the small-scale and cottage industries and emergence of several new industries (such as steel, sugar, cement, glass, industrial chemicals, soap, vanaspati, and some branches of engineering industries etc.).

But soon after the Second World War the official patronage disappeared and the industries born during the war period gradually began to decline. The government did not help them to the required extent. The industrial position of the country again deteriorated. At the time of the Independence of the country practically speaking there were very few organised small-scale and cottage industries.

The reasons for lack of expansion of industrial activity and decline in output lay in the uncertain political situation. The firms were faced with the problem of readjustment in operations caused by the separation of the sub-continent. This period of decline ended

with the export boom created by the Korean War. By 1951, industry was relatively stabilised at levels of capacity and output which were above pre-war levels, but below war time peaks in absolute terms. Per capita income rose from Rs. 52.2 in 1900 to Rs. 62.2 in 1947. The rate of economic growth that was achieved in India since 1950-51 was 2 to 3 times higher than the rate recorded earlier under British administration.\textsuperscript{7}

2.1.3 Post-Independence Development

There was no marked difference between small-scale industries and village industries and traditional arts and crafts during the British rule in India.

Small-scale industries have been assigned a distinct role in the development planning in the country as the Asian Regional Conference of the International Labour Organisation held in New Delhi (India) in 1947, adopted a special resolution on the subject. This resolution suggested, the desirability of industrial production on the basis of small domestic and handicraft industries and emphasised the need for organising them on "cooperative and federated lines ..."\textsuperscript{8}.

After the Independence of the country in 1947, the first step taken by national government was to convene an Industrial Conference in December, 1947, in order to revive and develop the cottage and small-scale industries. The conference recognised the importance of


\textsuperscript{8} I.L.O, The Cooperative Organisation of Small-Scale, Cottage and Handicrafts Industries, Geneva, 1950, p. 5
cottage and small-scale industries in the national economy, and their problems have been identified and recommendations have been made to overcome these problems. 9

The recommendations of the Industrial Conference marked the beginning of a positive policy for the development of industries in the country.

The main recommendations of the conference can be summarised as under:

1. Establishment of a permanent All India Cottage Industries Board in addition to the All India Handloom Board
2. Establishment of separate Directorate of Cottage Industries under the Ministry of Industry and Supply.
3. Subventions by the Central Government to the All India Cottage Industries Board and also to the All India Handloom Board.
4. Separate provision in the distribution of raw materials in short supply and priority assistance for cottage industries.
5. The special interests of cottage industries should be borne in mind by the Tariff Board while framing its recommendations regarding industries referred to it.
6. Provincial governments should establish separate departments of cottage industries.

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9. Development Commissioner (Small-Scale Industry), 25 years of progress (SSI), New Delhi, pp. 4-5.
7. Yarn to handloom industry to be the first charge on the spinning mills.

8. Central Government's Trade Commissioners should pay special attention to the marketing of cottage industries products.


10. So far as basic needs regarding food and clothing especially for rural areas are concerned, we should attain self-sufficiency primarily through the development of cottage industries.

11. Railway freight rates to be adjusted to give preference to the products of cottage industries.

12. Expediting the Leather Research Institute in Madras with a special section for cottage industries in all National Research Institutes.

13. Special missions to Europe and Japan in the interests of cottage industries.\(^{10}\)

It was for the first time that an International Planning Team, through the courtesy of Ford Foundation, visited India in 1953-54 and recommended the development of modern small-scale industries, i.e. small enterprises using modern methods of production and management.\(^{11}\)

On the basis of recommendations of the team, a separate organisation was set up to launch a systematic and coordinated development of

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10. Ibid.

modern small-scale industries in the country. In order to implement the programme and policies of the Government of India for development of small-scale industries, a central organisation known as the Organisation of the Development Commissioner Small-Scale Industries was established in 1954.\textsuperscript{12} The organisation formulates policy for small-scale enterprises, furnishes and supervises the implementation of the development programmes and provides technical guidance and assistance to entrepreneurs and small industrialist in the matters relating to production and management of enterprises.

2.2 Evolution of the Concept

The concept of small-scale industries as we use it at the present is quite recent. Before this there was a composite group of village and cottage industries. This group included a variety of industries ranging from bee-keeping and lace cultivation to sandal wood and ivory carving, manufacturing of cutlery, locks, iron safes etc. Infact, the term cottage and small-scale industries was used in juxtaposition to large-scale industries.

As it has been mentioned earlier, the definition of different sizes of industries do change with the changing stages of industrialisation. India is not an exception. The definition of small-scale industries had changed whenever it was felt necessary during the various stages of economic growth.

\textsuperscript{12} SIDO, \textit{Small-Scale Industries in India}, New Delhi, 1983, p:10
2.2.1 First Attempt

First attempt to define small-scale industry was made by General Secretary of National Planning Committee set by Indian National Congress in 1938. After assessing the various aspects the small-scale industry has been defined as:

"A small-scale or cottage industry may be defined to be an enterprise or series of operations carried on by a workman skilled in the craft on his own responsibility, the finished products of which he markets himself. He works in his own house with his own tools and materials and provides his own labour or at the most the labour of such members of his family who are able to assist him. These workers mostly employ hand labour and personal skill, with little or no aid from modern power driven machinery and in accordance with traditional techniques. Such supplementary energy as is provided by animal power may add to the economy and efficiency of the industry. He works, finally for a market in the immediate neighbourhood, that is to say in response to known demand with reference to quality as well as quantity."

The composite definition given above combines the essence of small-scale and village industry under the prevailing conditions at that time. Later in contrast to the above definition Jawaharlal Nehru, adopted a more pragmatic approach in a note to the sub-committee on rural and cottage industries on 11th May 1940, defined it as:

"Cottage industries may be those which have:

1. No mechanised power and no hired labour,
2. No mechanised power and no hired labour upto 10 persons,
3. No mechanised power but hired labour over 10 persons,

4. Mechanised power under 10 B.H.P. but no hired labour (small-scale industries may be (3) + (4) as in cottage industry) and also,
5. Mechanised power under 10 B.H.P. and hired labour."

In the above definition Nehru has emphasised that cottage industries and small-scale industries should be treated as two separate entities.

While small-scale industries have broadly to be distinguished from large and medium scale industries according to the size, capital resources and labour forces of the individual unit, it may also be distinguished from cottage industries in that the former are mainly located in urban centres as separate establishments, while the latter are generally associated with agriculture and provide subsidiary employment in rural areas. Small-scale industries can be further distinguished from cottage industries in that the former produce goods with partially or wholly mechanised equipment employing outside labour while the latter involves operations mostly by hand and are carried on primarily with the help of the members of the family.\textsuperscript{15}

The line of demarcation between cottage and small-scale industries can be observed also from the Report of Fiscal Commission 1949-50 as:

"In our view, which found generally acceptance with the witnesses whom we examined, the distinction between a cottage and a small-scale industry should turn primarily on the use of hired labour. A cottage industry is, thus, one which is carried on wholly or primarily with the help of

\textsuperscript{14} Ibid, p.53
\textsuperscript{15} Government of India, First Five Year Plan, Para: 11.1
the members of the family, either as a full or part-time occupation. A small-scale industry, on the other hand, is one which is operated mainly with the hired labour usually 10 to 50 hands. In our view the discussion between a cottage and a small-scale industry rests mainly on the size of the unit and related fact of the contractual relationship between proprietor and the workers. In practice, however, while cottage industries are generally associated with agriculture in rural areas, small-scale industries generally provide whole-time occupation to their workers and are located in urban and sub-urban areas.16

For the first time during the First Five Year Plan (1951-56) the small-scale industries were considered as a separate entity.

2.2.2 Different Categories

The small-scale industries divided into three groups:

1. Those in which small-scale production had certain advantages and were not affected by large-scale industries in any way.

2. Those in which small-scale industry was concerned with manufacture of some parts with certain stage of production in a manufacturing process in which the predominant role was that of large-scale industry.

3. Those in which small-scale industry had to compete with large-scale industries.

2.2.3 Working Definition

The first working definition adopted by Small Industry Board in their first meeting held in January, 1955, is as follow;

"A unit employing less than 50 persons if using power and less than 100 persons without using power and with capital assets not exceeding Rs. 0.5 million." 

It was soon felt that the working definition did not serve any purpose, particularly from the point of view of maximum utilisation of the equipment and capital outlay. Therefore, the government adopted a new definition in 1960, as;

"Small-scale industries will include all industrial units with capital investment of not more than Rs. 0.5 million irrespective of the number of persons employed."

It was realised that the units engaged in ancillary industries need more sophisticated machinery and so higher capital investment. It was, therefore, decided to raise the capital ceiling up to Rs. 10 lakhs for industries which are manufacturing parts and components for the large-scale industries.

2.2.3.1 Ancillary Industry

Ancillary industry was defined as follow;

"A unit which produces parts, components, sub-assemblies and toolings for supply against known and anticipated of one or more large units manufacturing assemblies, complete products and which is not a subsidiary to or controlled by any large units regarding the negotiation of contracts for supply as its goods to any large unit. This shall not, however, produce an ancillary unit from entering into an agreement with a large unit giving it the first option to take the former's output."

18. Ibid
19. Mohan, K. K., Small Industry Enterpreneurs Handbook, (or How to Plan and Start/Expand a Small-scale Industry in India) Productivity Services International, Bombay,
The definition of small-scale industries which has been enforced from October 31, 1966 goes as follow:

"Small-scale industry will include all industrial units with a capital investment of not more than Rs. 7.5 lakhs irrespective of the number of persons employed. Capital investment for this purpose mean an investment in productive plant and machinery."20

The Board of Small-Scale Industry had noticed that due to steep increase in prices of capital equipment and replacement costs, there is need for upward revision in ceiling. Accordingly, the Government revised the definition in 1975, which read as follow;

"1-Small-Scale Industry undertakings having an investment in plant and machinery not exceeding Rs.10 lakhs

2-Ancillary Industry undertakings having investment in fixed assets in plant and machinery not exceeding Rs.15 lakhs and engaged;

a) the manufacture of parts, components, sub-assemblies, toolings, or intermediates, or

b) the rendering services and supplying or rendering or proposing to supply or render 50 percent 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 a subsidiary to, owned or controlled by any other undertakings."21


2.2.3.2 Tiny Industries

In 1977, there was a demarcation of a sub-sector in the small-scale industries sector, known as 'Tiny Industries', initially defined as those with corresponding investment of not more than Rs. One lakh and situated at places with a population of less than 50,000.

2.2.4 Definition of Small-scale Industries

To modernise and enable the small-scale industries to play its due role in the industrial development and to help the genuine young and technically qualified entrepreneurs the Government of India revised the definition in 1980, as;

a - Tiny Units
Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 2 lakhs.

b - Small-scale Industry
Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 20 lakhs.

c - Ancillary Industries
Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 25 lakhs and engaged in;

1- The manufacture of parts, components, sub-assemblies, toolings, or intermediates, or

2- Rendering services and supplying, rendering or proposing to supply, or render 50 percent 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.
2.2.5 Present Definition

The present revised definition of small-scale and ancillary industrial undertakings, as published on 18 March, 1985 are as given below;

2.2.5.1 Small-scale Industries

"Undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 35 lakhs."

Within the existing definition of the Small-scale sector, there is a "Tiny sector" comprising of units having investment in fixed assets in plant and machinery upto Rs. 2 lakhs and situated in towns and villages with a population of less than 50,000 (1971 Census figures). These units are entitled to special attention in matters of margin money and other assistance.

2.2.5.2 Ancillary Industries

Ancillary Industries are "undertakings having investment in fixed assets in plant and machinery not exceeding Rs. 45 lakhs and engaged in:

a) the manufacture of parts, components, sub-assemblies, toolings or intermediates;

b) rendering services, supplying or rendering or proposing to supply or render 50 per cent of their production of the total services, as the case may be to other units for production of other articles;
Provided that no such undertakings shall be a subsidiary of or owned or controlled by any other undertakings."\textsuperscript{22}

All the service-oriented enterprises are now eligible to be registered as small-scale establishments and are entitled for the same concessions and incentives that are available to small-scale industries and ancillary industries as defined above.

\textbf{2.2.5.3 Small-Service Establishments}

Small Service Establishments are establishments or enterprises engaged in personal or household services in rural areas and towns with a population of 5 lakhs or less and having investment in plant and machinery not exceeding Rs. 2 lakhs.\textsuperscript{23}

The definition of small-scale industries has been revised as many as five times during 1955–80, due to the changing requirements of economy as a whole and small-scale industries as a part of the economy.

\textbf{2.3 Small-scale Industries and National Policy}

The policies, relating to small-scale industries spell out in the Industrial Policy Announcement, drafted on different occasions and aim at intensifying the efforts for rapid and balanced industrialisation of the country, with a view to benefit the common man through increased availability of goods at fair prices, larger employment and higher per capita income.


\textsuperscript{23} Ibid, p. 302.
The different roles of small-scale industries have been emphasised in different policy announcements. The general policy guidelines contained in the government announcements were further strengthened and supported by appropriate decisions on specific areas.

Regarding the ancillary development, the guidelines are from the various plans or different industrial policies.

One of the important aims of encouraging the development and growth of small-scale industries was their role in distribution of income and wealth as it is noticeable in a seminar which was held in 1959 by Reserve Bank of India on financing the small-scale industries, this role has been emphasised as:

"The primary objective of developing small-scale industries in rural areas is to extent work opportunities, raise income and standard of living and to bring about a more balanced and integrated rural economy."\(^{24}\)

And even in the First Five Year Plan it has been stated that:

"References have already been made to the Directive Principles or State Policy in the Constitution of India, laying down that operation of economic system should not result in the concentration of wealth and means of the production to the common detriment."\(^{25}\)

2.3.1 **Industrial Policy**

The development of small-scale industries was emphasised in the Industrial Policy Resolutions of the Government of India. The first


\(^{25}\) Government of India, First Five Year Plan, Para : 11.2
industrial policy which was announced on 6th April 1948, clarified the role and position of small scale industries.

The importance of small-scale industries can be seen from the following words:

"Cottage and small-scale industries have a very important role in the national economy, offering as they do, large scope for individual, village and cooperative enterprises. These industries are particularly suited for the better utilisation of local resources and for achievement of local self-sufficiency in respect of certain types of essential consumer goods." 26

During 1956 the new industrial policy was announced. In this Industrial Policy Resolution the strategy, to be followed, for promoting and protecting of small-scale industries was pointed out. The Resolution stated that the state has been following a policy of supporting cottage, village and small-scale industries by restricting the volume of production in the large-scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the state policy will ensure that the decentralised sector requires sufficient vitality to the self-supporting and its development as integrated with that of large-scale industry. The Resolution stated that, the state will concentrate on measures designed to improve the competitive strength of the small-scale producer. For this reason it is essential that the technique of production should be constantly improved and modernised, the pace of transformation being regulated to avoid as far as possible, technological unemployment. Lack of technical and financial

26. Rao, R.V., Cottage and Small-scale Industries and Planned Economy, Sterling Publisher, Jullundar, 1965, p. 31
assistance, suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small-scale producers. The Resolution stated further as:

"Many of the activities relating to small-scale production will be greatly helped by the organisation of industrial co-operatives. Such co-operatives should be encouraged in every way and the state should give constant attention to the development of cottage, village and small-scale industry.""

Small-scale industries are developing and prospering in India and they are emerging as the basis of industrial progress as they are being provided help and assistance at every stage of their life cycle from establishment to the marketing of their products. Various institutions and organisations have been set up to promote their development and as it has been noticed in the previous paragraph, government policy towards them is encouraging and even protecting. The government has taken various measures to minimise their difficulties and solve their problems as much as possible.

Industrial Policy Statement made by Central Government on July 23, 1980, emphasising this role of small-scale industries as:

"The Policy recognises that industrial development is an interdisciplinary concept and pertains not only to the manufacturing activity, but to all related infrastructural development, preservation of ecological balance and improving the living conditions of the people.""


2.3.2 Five Year Plans

The development and growth of the small-scale industries has been emphasised in the successive Five Year Plans. The promotional and protective policy is the government role in development of small-scale industries. During the past few decades, government has been able to stimulate a large number of small industries in the country by encouraging the small entrepreneurs, because the investment in small-scale units is mainly the responsibility of small industrialists.

2.3.2.1 First Five Year Plan

The First Five Year Plan commenced in April 1951. In this plan emphasis was given to agriculture, irrigation and power generation. The development programme for small-scale industries in real sense began towards the end of the plan.

The actual development programme for small-scale industries started only towards the end of 1954. The government outlay on small-scale industries during the plan period was about Rs. 5.20 crores.29

In the First Plan a major step taken for the development of village and small industries was to establish All-India Boards to advise and assist in the formulation of the programmes of the development of small-scale industries, including sericulture and coir. The First Plan attempted to indicate some of the problems which were

29. SIDO, Report (1978-79), p. 31
involved in formulating substantial development programme for small industries and handicrafts.

2.3.2.2 Second Five Year Plan

The Second Five Year Plan commenced from April 1956. It emphasised on the industrialisation. The government outlay in Second Five Year Plan was about Rs. 56 crores. It was during this span that the industrial estate was introduced.

A number of new programmes were organised and steps were taken to provide a more assured market for the products of some of the industries. Reservation of the production of certain varieties of cloth and certain types of agricultural implements, prohibition of further expansion in certain large-scale industries like vegetable oils, rice milling, leather foot wear, match, etc., and the laying down of separate targets of production for the small-scale and the large-scale sectors of certain industries like bicycles and sewing machines.

2.3.2.3 Third Five Year Plan

The year April 1961, was the commencement of Third Five Year Plan. The aim of this plan was to secure a marked advance towards self-sustained growth. In this plan the assistance pattern for the development programme of small-scale industry was revised and it was thought that state governments should be given greater authority in

30. Ibid.
utilising funds alloted to small-scale industries. The outlay on small-scale industries in this plan were Rs. 90.91 crores for small scale industreis and Rs. 22.15 crores for industrial estates and total was about Rs. 113.06 crores. Guidelines contained in the government announcements were further strengthened and supported by appropriate decisions on specific areas.

Regarding the ancillary development, the guidelines from the various plans or different Industrial Policies are as follows.

Development of small-scale industries as ancillary to large-scale industries has been emphasised upon since Third Five Year Plan. In Third Five Year Plan it has been emphasised that;

"With a view to planned development it is essential to take a comprehensive view of the requirements of the community, the contribution which small industries and the extent to which the processes and stages of production can be decentralised. Various aspects of integration between large and small industries have to be considered in detail for each industry."

The main objectives of the Third Plan regarding programmes for village and small-scale industries were:

1) To improve the productivity of the worker and to reduce production costs by placing a relatively greater emphasis on positive forms of assistance, such as improvement of skill, supply of technical advice, better equipment and credit,

2) To progressively, reduce the role of subsidies, sales rebates and sheltered markets,
3) To promote the growth of industries in rural areas and in small towns,
4) To promote the development of small scale industries as ancillaries to large industries.33

2.3.2.4 Annual Plans

Due to some economic problems the Fourth Five Year Plan could not be started according to the schedule and the plan remained suspended for three years i.e. 1966-69 (April 1966–March 1969). Therefore, during this gap the central as well as state governments prepared short period annual plans. Expenditures incurred on the development of small-scale industries during Annual Plans were Rs. 45.90 crores of small-scale industries and Rs. 7.58 crores for industrial estates and total will be the amount of Rs. 53.48 crores.

2.3.2.5 Fourth Five Year Plan

The aim of this plan was to accelerate development of the country in condition of stability, reducing fluctuations in agriculture production as well as uncertainties of foreign aids. The particular emphasis in this plan was laid on improving the condition of the weaker sections of the society. The outlay of the plan was, Rs. 80.46 crores for small-scale industries and Rs. 15.73 crores for industrial estates, totalling to Rs. 96.19 crores.34

33. Government of India, Third Five Year Plan, Para: 14
34. SIDO, Report (1980-81), p.18
The main programmes during the Fourth Plan was to entrust the work of administration of credit facilities under the State Aid of Industrial Act, training and common services facilities, quality marketing and consolidation of the Industrial Estate Programme: to the states. The Central Government continued to implement schemes related to industrial research, industrial extension service, supply of machines on hire-purchase terms etc.

2.3.2.6 Fifth Five Year Plan

The main objectives of the programmes for development of the small-scale industries during the Fifth Five Year Plan were to create large-scale employment opportunities, promote decentralisation and dispersal of industries, develop agro-based and ancillary industries. The expenditure during Fifth Five Year Plan (1974-79) totalled Rs. 221.74 crores.\textsuperscript{35} For the Annual Plan of 1979-80 the total expenditure for small-scale industries and industrial estates was Rs. 104.81 crores. These data are not available for expenditure by small scale industries and industrial estates separately.

The broad strategy of the programme was to:

1) Develop and promote entrepreneurship and produce a "purchase of consultancy services" so as to generate the maximum opportunities for employment, particularly self-employment;

2) Facilitate a fuller utilisation of the skills and equipment of the persons already engaged in different small industries;

\textsuperscript{35} Ibid, p.5
3) Progressively improvement in the production techniques of these industries so as to bring them to a viable level;

4) Promote these industries in selected "growth centres" in semi-urban and rural areas, including back-ward areas.

2.3.2.7 **Sixth Five Year Plan**

This plan is in force from 1980-85 and the programmes for the development of small-sale industries is mainly oriented to rehabilitate the sick units, to assist the house hold and rural industries to expand and to promote the growth of tiny industrial units situated in rural areas and small towns. The existing guide lines of promotion of small-scale industries as ancillaries of the large-scale industries and undertakings in the public sector will be reviewed so as to make them more effective. In this plan the total outlay for small scale industries and industrial estates taken together amount to Rs. 616.10 crores. 36

Sixth Five Year Plan has given top priority to small-scale and village industries to accelerate the process of industrialisation, particularly, in rural and backward areas, to generate large-scale employment opportunities and to up grade the existing levels of skills as well as the quality of their products. In view of changes in economic environment, the base of small-scale industries has been broadened by redefining it to include those manufacturing and repairing units which have investments in plant and machinery up to Rs. 20 lakhs. The rapid growth of small-scale industries is

characterised technological innovations, the development of managerial talent and improvements in technical skills, which to rise in production and productivity.

The government is stressing on strengthening the position of small-scale units as ancillary for the sake of industrial development all over the country as Sixth Five Year Plan emphasises on this matter as:

"The existing guidelines of promotion of small-scale industries as ancillaries of large-scale industries and undertakings in the public sector will be reviewed so as to make them more effective. Suitable measures will also be taken for ensuring prompt payments by large industries to small ancillary units. Studies of selected small industries having considerable potential for development including modernisation, will be taken up on a priority basis."

2.3.2.8 Seventh Five Year Plan

Within the overall objectives of food, work and productivity laid down in the Seventh Plan, this sector would contribute towards improving the economic and occupational profile of rural, semi-urban and weaker sections of urban communities through promotion of village and small-scale industrial activities. This sector would,

i) assist in the growth and widespread dispersal of industries;

ii) increase the level of earning of artisans;

iii) sustain and create avenues of self-employment;

37. Government of India, Draft Sixth Five Year Plan, Para: 11.34
iv) ensure regular supply of goods and services through the use of local skills and resources:

v) develop entrepreneurship in combination with improved methods of production, through appropriate training and package of incentives, and

vi) preserve craftsmanship and art heritage of the country.

The strategy for achieving the above objectives would constitute the following:

1) Improve productivity, enhance quality, reduce costs and restructure product-mix through upgradation of technology and modernisation.

2) Optimise utilisation of existing capacities through supply of adequate inputs including credit, power and raw material etc.

3) Expand share of village and small industry products in the domestic markets through publicity, standardisation, market support and increased participation in the government purchase programme.

4) Strengthen the programmes of ancillarisation to establish and improve links between large and small industries leading to harmonious growth of the total industrial sector.

5) Promote specialisation in production and export-oriented industries.
6) Strengthen and enlarge skill profile, entrepreneurial base and management practices to increase opportunities for self-employment.

7) Improve the general levels of, welfare of workers and artisans through better working condition, welfare measure and security of employment.

The Seventh Plan policy envisage discouraging setting up industries in or around urban agglomerations and a package of incentives would be provided to attract industries in the backward areas. In order to use the existing infrastructure, emphasis would be laid on the growth centre concept for promotion of industries in the less developed areas.

The process of development of appropriate technology and its wider application in the field would be strengthened.

Against the Sixth Plan outlay of Rs. 616.10 crores the outlay for the Seventh Plan in respect of centre, states and Union Territories stands at Rs. 1120.51 crores.

The table given on next page shows the plan outlay on small scale industries:

39. Ibid, p.104
<table>
<thead>
<tr>
<th>Plan Period</th>
<th>SSI</th>
<th>Industrial Estate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Plan</td>
<td>5.20</td>
<td>N.A.</td>
<td>5.20</td>
</tr>
<tr>
<td>2nd Plan</td>
<td>44.40</td>
<td>11.60</td>
<td>56.00</td>
</tr>
<tr>
<td>3rd Plan</td>
<td>90.91</td>
<td>22.15</td>
<td>113.06</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>45.90</td>
<td>7.58</td>
<td>53.48</td>
</tr>
<tr>
<td>4th Plan</td>
<td>80.46</td>
<td>15.73</td>
<td>96.19</td>
</tr>
<tr>
<td>5th Plan</td>
<td>final break</td>
<td></td>
<td>221.74</td>
</tr>
<tr>
<td></td>
<td>1979-80</td>
<td>up not</td>
<td>104.81</td>
</tr>
<tr>
<td>6th Plan</td>
<td>available</td>
<td></td>
<td>616.10</td>
</tr>
<tr>
<td>7th Plan</td>
<td>&quot;</td>
<td></td>
<td>1120.51</td>
</tr>
</tbody>
</table>

Thus, a careful study of all the plans reveals that government has incurred higher expenditures during the successive five year plans on the development programmes of small-scale industry. The expenditure which was incurred in the Second Plan is nearly 10 times of the expenditure in the First Plan and this heavy expenditures in Second Plan reveals that the actual development Programme for small-scale industries started from this time only.

40. (1) Government of India, *Sixth Five Year Plan Document*, Table: 12.3

(2) Government of India, *Seventh Five Year Plan Documents*, Table 4.3 page 104, Vol. II
Hereby, one may conclude that the policies constitute the framework or guidelines for appropriate decisions at varied levels. They generally consist of statement that affect the working of small-scale industries, too. This is affected by a number of policies, which are the base of effective plan development.

2.4 Small-scale Industries: Present Status

2.4.1 Contribution to National Income

The small-scale sector is the second major contributor to the industrial economy of the country. It provides maximum employment, second only to the agricultural sector. In terms of value added, it contributes about fifty percent of that of the manufacturing sector. It accounts for more than one third of the total exports of the country. Apart from direct exports, products of a large number of small-sale units are exported indirectly through merchant exporters, export houses and other channels. In addition to providing direct and indirect employment to million, this sector is engaged in providing technical and commercial training to a large segment of rural and urban population who either cannot afford to seek higher education or just can not find a berth in a highly competitive employment situation. It has substantially drawn its human resources from the weaker sections of the society and is close enough to the rural sector to appreciate and fulfill the needs of this sector.

41. Government of India, Seventh Five Year Plan, Para: 4.1
2.4.1.1 Employment

The employment potential of small-sale sector in a labour surplus country like India has made the Government to emphasise on development of small-scale industries for its gainful employment opportunities. The role of small-scale industries which are labour intensive and capital-saving has, therefore, been rightly emphasised in the Industrial Policy statement as well as different Five Year Plans regularly. The role of small-scale sector is more important for the economy when there is large-scale unemployment, underemployment and there is dearth of sophisticated machinery and modern technology.

Emphasising the development of small-scale sector for its vital role in labour-intensivity and capital saving is continuing from the First Five Year Plan as can be seen in the Third Plan,

"Small-scale industries witnessed a significant contribution in the First and Second Plans in acheiving the objective of expended employment, larger production and more equitable distribution. With the larger dimensions of the tasks to be accomplished in the Third Plan, the role will be even more important. The objective of the programmes for these industries as set out in the Industrial Resolution of 1956 and Second Plan are to create immediate and permenant employment on a large-scale at relatively small capital cost..."\(^{42}\)

And even at some other parts it explains that:

"With a view o providing fuller employment and strengthening and diversifying the rural economy, it will be desirable to develop these industries to the maximum extent in decentralised small-scale sector and on a cooperative basis."\(^{43}\)

42. Government of India, *Third Five Year Plan*, Para: 1

43. Ibid, Para: 23
Also in the Sixth Plan we still see the emphasis on the development of small-scale industries as a means to provide opportunities of employment. The draft Sixth Five Year Plan expressed as:

"The rapid and wide spread development of small-scale industries is one of the major objectives of the plan as a part of primary goal of reducing unemployment and underemployment in the country. The major components of the strategy to be adopted in formulating and implementing the development programmes for these industries to be taken up in the new plan are:

1 - to generate opportunities for fuller and full-time employment by:

a) revitalisation and developing the existing traditional and other small-scale industries, and

b) promoting intensive development of new viable small-scale industries.

2 - .....etc."44

Comparing the amount of investment in small-scale with large-scale industries as well as the number of persons employed by the same industries, then one can imagine the role of small-scale industries in their employment orientation and capital saving role they play in Indian economy.

It has been calculated that for every worker employed in the small-scale industries investment of only Rs.5,800 is required against Rs.30,900 in the large-scale sector. In other words, a project in small-scale sector with an investment of Rs.one million

44. Government of India, Draft Sixth Five Year Plan 1978-83, Para:11.7
normally provides employment to 172 persons, while the same number of employees in the large-scale sector will require an investment of 5.31 million. According to the development commissioner (Small-scale Industry), the employment generation in small-scale factory units is five times that of large establishment for same order of investment in fixed assets.

Although one can not ignore the relationship between small-scale and large-scale, as this relationship is complementary and manifests itself significantly in the form of sub-contracting to their great mutual advantages. But, with all these facts one shall be convinced how great and important is the role of small-scale sector in providing employment.

Table below shows the admirable growth of employment generation by small-scale sector:

Table 2.2: Employment Generation by SSI

<table>
<thead>
<tr>
<th>Year</th>
<th>1977-78</th>
<th>78-79</th>
<th>79-80</th>
<th>80-81</th>
<th>81-82</th>
<th>84-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment in 1000's</td>
<td>5,890</td>
<td>6,380</td>
<td>6,975</td>
<td>7,100</td>
<td>7,500</td>
<td>8,900</td>
</tr>
</tbody>
</table>

Source: The Economic Times, New Delhi, Jan. 19, 1985, P:IV

The table reveals that the steady growth has been achieved during this short period.

With the fact that 75 lakh persons were provided different jobs by small-scale industries up to 1981-82 (and with such a growth rate, surely the available jobs in the future must be much more than this), it can be concluded that the role of small-scale industries in offering opportunities for employment should receive considerable attention.

2.4.1.2 Non-Economic Dimensions

Small-scale industries play a strategic role in the progress of a country. These industries, by and large, represent a stage in economic transition from traditional to modern technology. The transitional nature of this process is reflected in the diverse nature of these industries. Some small-scale units use simple skills and machinery, while many other units use modern and sophisticated technology. The challenge of economic growth is to accelerate the productivity of agriculture and industry by improving their production techniques, so far as industries are concerned, this will involve the adoption of a progressively superior technology, particularly in semi-urban and rural areas.

Basically, small industries are important for national development programmes because they can make a definite contribution to the realisation of central purpose of such a problem, i.e. to bring about an efficient utilisation of natural, human and capital resources of the country for achievement of pre-determined ends.

It is true that small-scale industries constitute the back-bone of a developing country like India. The phenomenal expansion of
small-scale industries reflects the potential of such industries. Occupying an awesome height in the strategy of development. These industries have become an invaluable weapon in bringing about a balanced, integrated socio-economic order in the country.

The concentration of industrial and other activities has given birth to the phenomenon of the so-called pockets of development where economic and social changes is achieved at a much faster rate than in outlying rural districts. The presence of pockets of development is an impediment to the rapid growth of the national economy.

This trend, although predominant, can be checked and corrected through the establishment of small-scale industries. The establishment of small-scale industries would, therefore, make it possible to reverse the current trend of the migration of the people from rural to urban areas. A fact which is becoming a disturbing phenomenon in all developing countries, including India.

Small-scale industries are more flexible as they can switch over from one line of production to another, in case of any mistake, without substantial loss.

It has been rightly said that:

"If the decisions are small involving smaller units, before the waste of investment has gone very far, the mistakes will be seen, and the resources can be diverted to other more promising lines of development."

2.4.2 Performance

The performance of small-scale industry has been impressive. It is now one of the fastest growing sectors of the economy.

During the short period of 5 years ending 1983-84, the production in the small scale sector has recorded an increase of 60 percent in real terms, the employment in this sector risen by 32 percent and investment by 66 percent.  

The performance in the sphere of exports is also heartening. During 1983-84, the aggregate export of small-scale units rose to Rs. 2350 crores or by 120 percent as compared to the 1978-79 level and accounted for nearly 25 percent of the value of exports during that year.

There has also been a phenomenal increase in the number of units as well as in the value of investment in the small-scale industry, the number of registered units with the Small-scale Industries Development Organisation (SIDO) jumping from 3.34 lakhs in 1978-79 to 6.76 lakhs in 1983-84. Taking into account the unregistered units, the total number of small-scale units has risen from 7.34 lakhs to 11.5 lakhs during this period.

During 1985-86, production from small scale industries is estimated to be around Rs. 61,100 crores, at current prices, providing employment to about 96 lakh persons by the end of 1985-86. Exports from the sector are estimated to be Rs. 2580 crores in 1984-85 as

47. The Economic Times, Wednesday, January 30, 1985 New Delhi, p.1
against Rs. 2219.23 crores in 1983-84. Exports from the sector accounts for about 22 percent of the total exports from the country.

1985-86 was the first year of the Seventh Five Year Plan. The production at 1984-85 prices from small-scale industries which was targeted to increase from Rs. 50,520 crores to Rs. 55,225 crores during 1985-86 was not only achieved but exceeded. The achievement during the year is estimated to be Rs. 57.100 crores at 1984-85 prices.48

The value of investment is also considerable, amounting to Rs.7360 crores or 66 percent higher than what it was in 1978-79.49

The above statistics makes impressive reading and testify to the dynamism that has characterised the performance of the small-scale industries in recent years. Broadly speaking, the success achieved in this area stems from a number of factors. There has been a marked improvement in the availability of raw materials, both indigenous and imported. There has been a spurt in the import licences issued to small-scale units and the list of items brought under OGL imports for actual users has been increased to remove one irritant in the way of better showing. Besides, the volume of credit made available to small-scale units has gone up considerably.

During the financial year (1986-87 upto August 15), aggregate deposits of scheduled commercial banks have shown a net rise of Rs. 6,134 crores (7.2 percent) against the rise of Rs. 5,128 crores

49. The Economic Times, New Delhi, January 30, 1985, p.IV
(7.1 percent) in the same period of previous year. Total bank credit has expanded by Rs. 907 crores (1.6 percent) against the expansion of Rs. 1,455 crores (3.3 percent) in the same period of the previous year.

Owing to welcome changes in the industrial policy of the government the small-scale sector have also contributed to its sustained high growth. In particular, the items reserved for manufacture exclusively in the small-scale sector as well as the items reserved for exclusive purchase by the government have been progressively enlarged. The continuation of price preference schemes and simplification of conditions for assistance from various financial institutions and banks have also contributed a great deal to impressive trade record of this sector. What the statistics do not reveal is the significant strides made by the small-scale sector in the direction of quality and range of products manufactured. Though, there is a great scope for modernisation, it cannot be denied that significant improvement has taken place in this direction also. Initially, this sector was content with producing relatively simple (products) items like soaps and detergents. It has now entered into sophisticated fields like electronics and computers.

All these do not suggest that there has been no deficiencies and areas of weakness in the growth and development of the small-scale industry in India. These problems have been examined separately. The point is that despite many constraints, the industry has registered good performance in the recent past.

The data given in Table (2.3) underscore the rapid strides made by the small-scale industry. They also stress the increasingly important role played by the sector in the Indian economy. The Industrial Policy Resolution of 1956 and 1980 reiterated the importance of the small-scale sector and emphasise the continued need for its development as an essential step towards economic self-reliance.

A strong case for rapid growth of small-scale units is due to many factors, of which the relatively small requirements of capital and high employment-output ratio and perhaps the most important. In this context, it is worth recalling the observations of the Industrial Policy Resolution of 1980:

"They provide immediate large-scale employment, they offer method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skills which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country."

The Industrial Policy Resolution of 1980 also accorded importance to the small-scale industry and made some suitable policy changes. More recently, the definition was relaxed to include service oriented industries and the list of industries reserved for exclusive development was increased as also the items reserved for purchase by government.

51. The Economic Times, New Delhi, January 19, 1985, p.1
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Production at Current prices (Rs. in crores)</td>
<td>2,80,60</td>
<td>32,60</td>
<td>35,000</td>
<td>41,620</td>
<td>50,520</td>
<td>18.71</td>
<td>61,100 20.94</td>
</tr>
<tr>
<td>3. Production at 1970-71 Prices (Rs. in crores)</td>
<td>10,906</td>
<td>11,837</td>
<td>12,800</td>
<td>14,120</td>
<td>14,970</td>
<td>8.36</td>
<td>17,860 19.31</td>
</tr>
<tr>
<td>4. Export (Rs. in crores) at current prices</td>
<td>1,643</td>
<td>2,071</td>
<td>2,097</td>
<td>2,219</td>
<td>2,580</td>
<td>16.68</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>5. Employment (in lakh Nos)</td>
<td>71.00</td>
<td>75.00</td>
<td>79.00</td>
<td>84.15</td>
<td>90.00</td>
<td>6.08</td>
<td>96.00 6.67</td>
</tr>
</tbody>
</table>

Source: Report 1985-86, SDIO, P: 3
FIG. 2.1. GROWTH OF SMALL-SCALE INDUSTRIES DURING SIXTH AND THE FIRST YEAR OF SEVENTH FIVE YEAR PLAN
The encouragement given by the government to enable small-scale industry to record good progress can be seen in Table (2.4). This is in addition to price preference scheme for purchase of goods by the government.

Table 2.4: No. of Items Reserved for Purchase from Small-Scale Industries.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>16</td>
</tr>
<tr>
<td>1962-63</td>
<td>63</td>
</tr>
<tr>
<td>1965-66</td>
<td>84</td>
</tr>
<tr>
<td>1970-71</td>
<td>167</td>
</tr>
<tr>
<td>1976-77</td>
<td>241^</td>
</tr>
<tr>
<td>1980-81</td>
<td>379</td>
</tr>
<tr>
<td>1981-82</td>
<td>384</td>
</tr>
<tr>
<td>1982-83</td>
<td>404</td>
</tr>
<tr>
<td>1983-84</td>
<td>404</td>
</tr>
<tr>
<td>1984-85</td>
<td>404</td>
</tr>
<tr>
<td>1985-86</td>
<td>409^2</td>
</tr>
</tbody>
</table>

Source: 1 The Economic Times, New Delhi, January 19, 1985, p.IV
         2. SSI in India, Fact & Figures, SIDO, 1987, p.13

Another aspect of the policy thrust is evident from the number of items reserved to be manufactured exclusively by the small-scale sector has increased to 863 from only 118 in 1967-68.
If the constraints of timely and adequate supply of raw materials, sufficient finance and marketing facilities are overcome the overall performance of the small-scale industry would be even more impressive than what has been achieved in the recent past. This is to say that, this sector holds, immense potential for further development.

2.4.3 Growth of Small-scale Industries

Small-scale industries have acquired a coveted place in the new economic policy of government, more particularly in realising the primary national objectives of reducing unemployment and under-employment in the country and thereby making it absolutely essential to secure a rapid and widespread development of labour-intensive cottage, household and small-scale industries.

The last few years have witnessed a spectacular growth in the small-scale sector. This can be a significant feature of planned economic development in India. During 1977 the value of production has registered an increase by 12.98 percent over the previous year. The contribution of the small-scale sector in the total industrial production in the country has increased from 35 percent in 1972 to 40 percent in 1976. The share of the sector in the total exports has increased from 9.6 percent in 1971 to 17 percent in 1976-77, and small-scale sector accounts for 40 percent of the total non-traditional exports. 52

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 in respect of output, fixed investment, net additions in value and capacity for creation of employment opportunities. The comparative figures of the small-scale and large-scale sectors for 3 years, are as given below:

Table 2.6 - Comparative Figures of SSI and LSI

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items</th>
<th>Annual Survey Of Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1973 - 74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSI</td>
</tr>
<tr>
<td>1</td>
<td>No. of Unit (1000 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</td>
<td>0.90</td>
</tr>
<tr>
<td>4</td>
<td>Fixed investment/ workers</td>
<td>4.5</td>
</tr>
</tbody>
</table>

It will be seen that the production per unit of investment in the small-scale during 1975-76 was 5.60 against 1.80 in large-scale sector. Similarly, the net additions in value per unit of fixed investment in respect of the small-scale was 0.96 against only 0.46 in the large-scale sector. As mentioned earlier it is interesting to

note further that a project in the small-scale sector with an investment of Rs. 10 lakhs would normally have the capacity of providing employment to 172 persons. The same number of employees if employed in the large-scale sector, would require an investment of Rs. 53.4 lakhs namely over 5 times the investment necessary in the small-scale sector. As these ratios keep on increasing year by year, (as in 1974-75 it was 3.8 and 1976-77 was 7.8), it shows that the acceleration of the number of workers with the promotion of small-scale industries.

During the period of 1974-80, the production in the small-scale industries went up from Rs. 7,200 crores to Rs. 19,060 crores, the growth rate marks to 9.5 percent per annum. Employment and exports registered increase from Rs. 39.65 lakhs to Rs. 64.60 lakh persons and from Rs. 538 crores to Rs. 1,050 crores, respectively. In terms of gross value in 1977-80, the share of the sector was around 49 percent of output in the manufacturing sector and 51 percent in terms of value added. 54

During 1981-82 small industries produced goods and services worth about Rs. 32,600 crores and provided employment to about 75 lakh persons. Export from small-scale industries during the year was about 26 percent of the total exports from the country. During the period from 1979-80 to 1981-82 there was an average annual growth of 9.5 percent in production at constant prices and about 5.8 percent growth in employment. 55

Table: 2-5: Growth (Percentage) of Small-scale Industry During Sixth and the first year of Seventh Plan

<table>
<thead>
<tr>
<th>Sixth Five Year Plan Period</th>
<th>Average Annual Increase</th>
<th>% age increase 1985-86 over 1984-85</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No. of Unit (lakh Nos) (cumulative)</td>
<td>8.57</td>
<td>10.07</td>
<td>10.08</td>
<td>9.35</td>
<td>10.73</td>
<td>9.76</td>
</tr>
<tr>
<td>2. Production at Current Price (Rs. in crores)</td>
<td>29.70</td>
<td>16.18</td>
<td>7.36</td>
<td>18.91</td>
<td>21.38</td>
<td>18.71</td>
</tr>
<tr>
<td>3. Production at 1970-71 Prices (Rs. in crores)</td>
<td>8.79</td>
<td>8.54</td>
<td>8.14</td>
<td>10.31</td>
<td>6.02</td>
<td>8.36</td>
</tr>
<tr>
<td>4. Employment (in lakh Nos)</td>
<td>5.97</td>
<td>5.63</td>
<td>5.33</td>
<td>6.52</td>
<td>6.95</td>
<td>6.08</td>
</tr>
<tr>
<td>5. Export at Current Prices (Rs. in crores)</td>
<td>34.0</td>
<td>26.05</td>
<td>1.25</td>
<td>5.82</td>
<td>16.27</td>
<td>16.68</td>
</tr>
</tbody>
</table>

Source: Report 1985-86, SDIO, P: 3
The growth of the sector during 1982-83 is also equally impressive with a 10 percent growth in employment.

During the Sixth Five Year Plan period the small-scale industries sector has registered significant growth. The average annual growth rate during this period were; number of units (9.76 percent), production at constant prices (8.36 percent), employment (6.08 percent) and export at current prices (16.68 percent) respectively. This tempo of growth has continued during the first year of the Seventh Plan (1985-90). Growth rate achieved during the year were; number of units (8.62 percent), production at constant prices (19.31 percent) and employment (6.67 percent) respectively.\footnote{56}

The small-scale sector has also achieved a high degree of sophistication and significant progress in quality upgradation and standardisation. Beginning with the simple consumer goods such as soap, detergent, leather goods, etc., this sector has now entered into sophisticated field of production including electronics and electro-medical devices.

2.5 \textbf{Organisational Structure}

2.5.1 \textbf{Small-scale Industries Board}

The government of India invited in 1953, an international team of experts sponsored by the Ford Foundation to study the problems of small-scale industries for the purpose of recommending a programme of development in view of their importance in the national economy. The recommendations of the team fall under three categories, viz.,

\footnote{56. SIDO, Report 1985-86, p.2}
a) those relating to the provision of technical knowhow and knowledge of business methods and management;
b) those that bear on the financial assistance to be provided in the form of credit facilities; and
c) those which are concerned with other forms of aid and services, such as assistance in securing government contracts, market facilities and research and supply of modern machine tools on easy installment terms.

Among the many steps the Central Government took in pursuance of these recommendations, one was the setting up of the Small-Scale Industries Board in November, 1954 to advise it on the programme and work of the different agencies looking after the development of small-scale industries in the country.

**Set-up:** The Board has at present 50 members, including representatives of the Central and State Governments, the Reserve Bank of India and the State Bank of India, non-officials, etc.

The Union Minister for Industries is the chairman of the Board. The Board reviews at its periodical meetings the work of the various development agencies, discusses such weaknesses as may be located in planning or execution, and offer advice on modifications or improvements.

A Standing Committee of the Board was set up in 1957, which meets at least once in two months. The Committee as recently reconstituted, consists of 10 members, including the Union Minister for Industries who is its chairman.
2.5.2 **Industrial Estates**

An important aspect of the programme for the development of small-scale industries relates to the construction of industrial estates where suitable workshops are provided for small-scale industries, together with water, power, transport and other facilities like common service equipment. The Board keeps a close watch on the progress achieved in the establishment of these estates, their requirement and problems.

2.5.3 **District Industries Centres**

The District Industries Centres (DIC) Programme was launched on 1st May, 1978 to provide a district level set up for the promotion of small, tiny, village and cottage industries under a single roof, as far as practicable at pre-investment, investment, and post-investment stages. The main thrust of this programme is on the development of such industrial units in rural areas and small towns of the country, which would create larger employment opportunities in these areas. The total number of approved District Industries Centres stands at 418 including 10 District Industries Centres sanctioned recently. These Districts Industries Centres cover 427 districts out of 432 districts of the country.  

2.5.4 **Small Industries Service Institute**

The technical assistance programme (Approved by the Board), which is currently executed by the Small Industries Service Institutes,  

57. SIDO, Report 1985-86, p.27.
covers a wide field, including a systematic assessment of the prospects for specific kind of small industries, both existing and potential, in different regions of the country, preparation of model schemes for various kinds of industries for the use of state governments and others; scrutiny of State Schemes; and organisation of demonstration and training workshops etc. The Board has set up a committee to suggest short and long-term measures to be taken for the training of skilled workers and supervisors in small industries.

2.6 Conclusion

The growth of modern small-scale industries in India has been one of the important features of its planned economy.

The Indian experience is of great relevance to that of other developing countries because at the time of Independence, the Indian industry presented a picture similar to that prevailing in some other countries today. It was typified by the absence in sufficient numbers of modern entrepreneurial class, in industry which was largely traditional with the great bulk of it being in the textile sector, both Jute and Cotton. The engineering establishments which existed were neither very large nor modern. There was, therefore, the necessity of ensuring that in the process of modernisation of industry and development of modern sectors of industry, efforts should be made for balanced growth, for growth of labour-intensive industries and labour-intensive techniques and for the most economical use of capital which was also one of the major constraints of growth. For these reasons India's experience, know-how and personnel who have carried
out these processes of adaptation and development could perhaps be relevant to the needs of other developing countries.

But, there should be a proper condition for small-scale industries to grow. In many countries, assistance is needed for formulating policies, drawing up programmes and adopting measures for promotion of small-scale industry as part of over-all industrial development programmes. In some cases, a statement of policy, an action programme and targets should be prepared in corporation with the national development plans.

In other cases, guidance in policies and programmes is required by a department of industry or a development corporation or financial corporation. Iran, as it has been discussed in the earlier chapter, also needs to have clear policies regarding small-scale industries. There should be thorough investigation in the sector to find out the necessities and then programme accordingly.