Chapter-2
IMPORTANCE OF SMALL-SCALE INDUSTRIES

Even in countries which are classic lands of big business Small-Scale Industry occupies a definite and important place. For instance in Japan, 53 percent of the Industrial Population still gains its livelihood in small undertakings employing less than five workers. In U.S.A. "it has been estimated that small business makes up 92.5 percent of the U.S. Business establishments, employ 45 percent of the Country's Workers and handles 34 Percent of the Volume of Business"

According to estimates provided by the Development Commissioner Small-Scale Industries 10, the number of Small-Scale Industry (SSI) Units increased from 15.76Lakhs in 1985-86 to 22-35Lakhs in 1992-93, showing an annual increase of 5.9 percent. These Units produced goods and Services valued at Rs.2,09,300Crores at Current Prices in 1992-93, showing an increase of 7.3 percent over the production during the Preceding year. These Units provided employment to 134.06lakh persons in 1992-93 as compared with 107lakh persons in 1987-88. Total exports from this sector, in 1987-88, were estimated at Rs.4,535Crores, accounting for 28.8 percent of the Country's total exports. In 1992-93, exports from this sector amounted to Rs.17,785Crores. These Units manufacture over 7000 items from simplest to the Sophisticated.

The Small-Scale Sector is the hub of many economic activities in a Developing Country. The Socio-economic transformation of India cannot be achieved without paying adequate attention to the development of this Sector.

10. As given in Government of India's Economic Survey, 93-94 P. 109
The Small-Scale Industries, so to say, have ramified into different areas for the removal of poverty, employment creation and Industrial decentralization. By and large Small-Scale Industries are useful for the production of goods and services needed for the feeding of Large-Scale Industries, development of skills and expertise, and boost-up of the export potential. Beside, the strength of the Small-Scale enterprises lies in their widespread dispersal in rural and urban areas, fostering entrepreneurial base, less gestation Period, Equitable Distribution of Wealth and Income.

The Case for the Development of Small-Scale Industries is particularly strong in Under-Development Countries like India. These Small-Scale Industries Satisfy many of the Investment Criteria that are often prescribed for the Planned Development of the Country. The Crucial role played by the Small-Scale Industries and the very strong case for them is brought out as under.

The Small-Scale Industries are Labour-Intensive, i.e. Labour Investment ratio in their case is quite high. In other words, the Capital-Labour ratio is low. A given amount of Capital Invested in Small-Scale Industrial undertaking is likely to provide more employment, at least in the short run, than the same amount of Capital invested in Large-Scale undertakings. It has been estimated in a recent study that Rs.56,000 in fixed assets in Large – Scale Industries create an average employment of one person, while the same investment in small industries can create an average employment for eight persons. It implies that the capital Labour ratio in Large-Scale Enterprises is 8 times that in Small Enterprises. This is very important matter for India, where millions of People are either un-employed or under-employed and where there is scarcity of Capital. The handloom Industry alone employees more than 50Lakh People or nearly as many as are employed in all Organized Industries.
Further, the encouragement of Small-Scale Industry would serve to counteract the massive seasonal un-employment which Characterizes Indian Agriculture and thus to utilize our Rural Labour which might otherwise go waste.

These Industries also offer limitless opportunities of Self-Employment. It is due to the fact that these industries can be established without much of capital investment and sophisticated technology. It is these Self-employed persons who are the back bone of the nation. Every effort must be made to strengthen the position of these proud and self-reliant Persons in the Indian economy.

Small – Scale Industries are Capital-light, i.e. they need relatively smaller amount of Capital than that required by Large-Scale Industries, since the Capital-output ratio is much smaller in the case of the former. It is evident from the fact that in 1988-89, the Value-added per unit of fixed capital was 0.43 in Small Industry as compared to 0.23 in the Case of Large-Scale Industry. It implies that the Capital output ratio of Large-Scale firm is 2 times that the Small-Scale firm. As Capital is very scarce in an under-developed country like India, it may be used to greater advantage in Small Industries are best from this point of view. These Industries are all the more suitable for the Production of most of the Consumer goods embodying more Labour and less Capital Contents.

Besides making possible economies in the use of the existing stock of Capital, Small Scale Industries may call into being capital that would not otherwise have come into existence. The spreading of industries over the countryside would encourage the habits of thrift and investment in the Rural Areas. Moreover, the enterprising Small manufacturer has to scrape together capital where he can find it. He often manages to get it from relatives and friends. This Capital probably would never have come into existence as Productive Capital, had it not been for the Small enterpriser.
The peculiar attraction of Small-Scale Industries lies in their being skill-light. Like capital, these skills are also in very short supply in our Country. Small-Scale Industry does not require any sophisticated skill. But it provides industrial experience and serves as a training ground for a large number of Small-Scale managers, at least some of whom may develop the capacity for managing large-scale undertakings. In other words, these Industries can make contribution to skill-formation and Development of Entrepreneurial abilities.

Small - Scale Industries are import-light, i.e. they use a relatively low proportion of imported equipment and materials as compared with the total amount of capital used in them. A low import intensity in the Capital Structure of Small-Scale Industries reduces the need for foreign capital or foreign exchange earnings and thus obvious balance of payment difficulties.

Small-Scale Industries are of the "Quick investment type", those in which the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short. In a developing economy, with a high inflationary potential and need for a rapid rise in the living standards, the importance of such quick-investment type industries can hardly be exaggerated. The anti-inflationary requirement and the requirement of development are often in Conflict, but a compromise can be found in the Small-Scale Industries which have a high-fruition-coefficient (i.e. a high ratio between planned output and investment) and also a short fruition-lag.

The Small-Scale Industries offer vast opportunities to promote exports. These industries are capable of producing goods with high labour contents with greater comparative cost advantage. These goods are in great demand in advanced countries, as they do not have comparative cost advantage in producing them.
Development of Small Scale Industries will bring about dispersion or decentralization of Industries and will thus promote the object of balanced regional development. A major drawback, in the Industrial Structure of the country is that the regional distribution of Industries will tend to correct this uneven distribution of Industries in the country. It is due to the fact that the Small-Scale Industries can be located and developed even in those regions, which are not favorable from the point of view of the availability of raw materials etc. Moreover, these Industries can be located near the market.

Small-Scale Industries have the additional advantage that, with decentralization Industries, they secure a more even distribution of income and wealth. It is owing to total wage bill being distributed among a large number of workers and profits among large entrepreneurs. On the other hand, the development of Large-Scale Industries tends to concentrate large incomes and wealth in a few hands, which is socially undesirable.

Another highly useful role of Small-Scale Industries in India, and similarly in other underdeveloped countries, is the great support that the development of Large-Scale Industries can obtain from Small Industries.

This is possible in the following ways: (a) Small Industries may manufacture small parts, e.g., cycle parts, which may later be assembled by the Large Industries, or (b) the Large-Scale Industry produce finished goods which may later be made into several types of finished goods in Small-Scale establishment. Such as agricultural implements and cutlery from iron and steel, household utensils from sheet metals.
Indian Labour is proverbial immobile. By Carrying the Job to the Worker, Small-Scale Industries can overcome the difficulties of territorial immobile. By carrying the Job to the worker, Small-Scale Industries can overcome the difficulties of territorial immobility. Moreover unlike Large Industries, Small-Scale Industries do not create problems of slum housing, health and sanitation etc. and the attendant diseases, misery and squalor, which have reached serious proportions in India. By providing remunerative employment in the rural areas, these Industries will relieve congestion in Over-crowded Urban Centers, and thus prevent environmental pollution.

Small-Scale Industries can help sustain green revolution in the Countryside Mainly through the development of agro-based industries and service, such as the Production of Farm Implements, and equipment for food processing Industries and Agricultural machinery, repair and service workshops. Besides, the expansion of rural Incomes as a result of green revolution is expected to boost the consumer demand for items like radios T.V.Sets, Transistors, Cycles, and Sewing Machines, all of which the Small-Scale Industry can meet. The development of cottage and Small Industries will help to reduce the pressure on land. The Surplus Labour will be diverted from Agriculture to Non-Agricultural Occupations. It helps to increase productivity on land.

In short, Small Industries have a crucial role to play in India in reducing the incidence of Unemployment and under employment, increasing national income, in meeting the shortage of consumer goods, in accelerating economic growth by making an optimum use of natural and human resources, in promoting balanced regional development, in reducing inequalities in the distribution of Income and Wealth, in relieving the present excessive pressure on land and over-crowding in Urban Areas, in sustaining Green Revolution, Development of local resource, and Promotion of Exports.
Our main argument for the Small-Scale Industries rests not only on the ground that they do not require sophisticated technology or they can be started with limited financial resources or that they are import-light though these are important considerations, but mainly because they are an effective instrument for achieving the Socio-economic objectives of Planning viz., preventing concentration of economic power in a few hands and broadening the entrepreneurial base of the economy building a pyramid of decentralized industry, correcting regional imbalance and the reversal of the flow of population from the rural to the urban areas.
ROLE OF SMALL SCALE INDUSTRIES IN INDIAN ECONOMY

The Small-Scale Industrial Sector which plays a pivotal role in the Indian Economy in terms of employment and growth has recorded a high rate of growth since Independence in spite of Stiff Competition from the large sector and not so encouraging support from the Government. This is evidenced by the number of registered units, which went up from 16,000 in 1500 to 36,000 in 1961, and to 28.57 Lakhs in 1996-97. During the last decade alone, the Small Scale Sector has progressed from the Production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics Control System, Micro-Wave Components, Electro-Medical Equipment T.V. Sets etc.

The Government has been following a Policy of reservation of items for exclusive development in the Small-Scale Sector. At the time of the 1991 Census of Small Scale Industrial Units, there were 177 items in the Reserved list. By 1998, the reserved list includes 837 items for exclusive production in the Small-Scale Sector. These Units produce over 7500 Commodities.

The number of Small-Scale Units have grown from 4.2 Lakhs in 1973-74 to 28.57 Lakhs in 1996-97. During the same period of 23 years, employment has grown from 4 Million to 16.0 million and output has increased from Rs.7200 Crores to Rs.4,18,863 Crores.

The average annual growth rate of employment in the Small Scale Sector for the Period 1980-81 to 1990-91 works out to be 5.8 Percent and that of Production to be 18.6
Percent. Whereas the growth rate of employment is commendable and strengthens the belief that the absorption of surplus labour can really take place in the small scale sector, the high growth rate of 18.6 percent exaggerates the achievements, since figures of production are at current prices and thus they conceal the inflationary rise in production. At 1981-82 prices, production of the small-scale sector grew from Rs.30,810 crores in 1980-81 to Rs.85,025 crores in 1990-91, giving an annual average growth of 11.7 percent which is much higher that the growth rate of industrial production in the large-scale sector which was only 7.8 percent for this period.

There is an element of growth brought about by erst-while large scale units being shifted to the small scale sector with every upward revision of investment ceiling for small scale industries after 1983-84. Obviously, the growth rate of the small-scale sector has been faster both in terms of output and employment. In other words, the output employment ratio for the small scale sector is 1:14. The rapid growth of the small scale industries has a great relevance in our national economic policies. The growth of the small sector improves the production of the non-durable consumer goods of mass consumption. As such, it acts as an anti-inflationary force. If a big push is given to the small sector, it can become a stabilizing factor in a capital-scarce economy like India by providing a higher output capital ratio as well as a higher employment capital ratio. The value of exports increased to Rs.1,643 crores in 1980-81 and to record high figure of Rs.40,355 crores in 1996-97. A very significant feature of exports from the small scale sector is their share in non-traditional exports. The share of exports from the small scale sector represents about 34 percent of total exports in 1996-97.
TABLE - 2

EMPLOYMENT AND PRODUCTION IN SMALL SCALE SECTOR

<table>
<thead>
<tr>
<th>Years</th>
<th>Production (Rs. In Crores)</th>
<th>Employment (Rs. In Lakhs)</th>
<th>Exports (Rs. In Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>7,200</td>
<td>39.7</td>
<td>393</td>
</tr>
<tr>
<td>1977-78</td>
<td>14,300</td>
<td>54.0</td>
<td>845</td>
</tr>
<tr>
<td>1980-81</td>
<td>28,060</td>
<td>71.0</td>
<td>1,643</td>
</tr>
<tr>
<td>1985-86</td>
<td>61,228</td>
<td>96.0</td>
<td>2,769</td>
</tr>
<tr>
<td>1987-88</td>
<td>87,300</td>
<td>107.0</td>
<td>4,373</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,55,340</td>
<td>125.3</td>
<td>9,100</td>
</tr>
<tr>
<td>1991-92</td>
<td>1,78,700</td>
<td>130.0</td>
<td>13,883</td>
</tr>
<tr>
<td>1992-93</td>
<td>2,09,300</td>
<td>134.0</td>
<td>17,785</td>
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<tr>
<td>1993-94</td>
<td>2,41,648</td>
<td>139.0</td>
<td>25,307</td>
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<td>1994-95</td>
<td>2,93,990</td>
<td>146.56</td>
<td>29,068</td>
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<tr>
<td>1995-99</td>
<td>3,56,213</td>
<td>152.61</td>
<td>36,470</td>
</tr>
<tr>
<td>1996-97</td>
<td>4,88,863</td>
<td>160.00</td>
<td>40,355</td>
</tr>
</tbody>
</table>

Compound Annual Rate of Growth

<table>
<thead>
<tr>
<th>Period</th>
<th>Production</th>
<th>Employment</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74 to 1980-81</td>
<td>21.4</td>
<td>8.7</td>
<td>22.6</td>
</tr>
<tr>
<td>1980-81 to 1990-91</td>
<td>18.6</td>
<td>5.8</td>
<td>18.6</td>
</tr>
<tr>
<td>1990-91 to 1996-97</td>
<td>18.0</td>
<td>4.2</td>
<td>28.2</td>
</tr>
</tbody>
</table>

SMALL SCALE INDUSTRIES IN THE PLANS

During the First and Second Plans Rs.42 Crores and Rs.187 Crores were allotted to Village and Small Industries. The actual expenditure during the Third Plan was estimated at Rs.241 Crores and during the Annual Plans (1966-69) at Rs.132 Crores.

One of the main objectives of Small Industries Program has been to protect such industries from the Competition of large-scale Industries. The Government failed in this objective. The Fourth Plan while admitting this fact cautioned the government in the following words. "The Operation of the Industrial licensing system has not been effective in preventing competition from the large industries and in providing the required degree of initial protection. Nor, has it been possible to prevent concentration of Industries in large cities and towns."11 The estimated outlay in the Public Sector for Village and Small Industries worked out to be Rs.251Crores in the Fourth Plan. Besides, the total amount of investment in the private Sector exceeded the target of Rs.560Crores envisaged in the Fourth Plan.

The Fifth Plan rightly mentions "A Significantly large number of persons already dependent on traditional industries like handloom, agriculture, coir, khadi and Village Industries are living below the poverty line,. Therefore, the Principal Objective of the program for the development of different Small Industries in the Fifth Plan are to facilitate the removal of poverty and inequality in consumption standards of these persons through creation of Large-Scale Opportunities for fuller and additional Productive employment and improvement of their Skills so as to improve their level of earning."12

With this end in view, the revised Fifth Plan allocated a sum of Rs.510 Crores for Small Industries in the Public Sector. The estimated expenditure during 1974-78 on Small Industries aggregated to Rs.388 Crores. At a result of it, Production of Cloth in the decentralized sector increased to 4,100 Million meters, in 1977-78, 2300 millions meters from handlooms and 1800 millions from power looms. Between 1974-75 and 1977-78, exports of handicrafts rose from Rs.194 Crores to Rs.440 Crores. Similarly the Production of Small-Scale Industries increased from Rs.538 Crores in 1974-75 to Rs.1,000 Crores in 1977-78.

SMALL SCALE INDUSTRIES IN THE SIXTH PLAN

The Sixth Plan allocated a sum of Rs.1,780 Crores for Village and Small Industries. However, the actual estimated outlay worked to be Rs.1,952 Crores for 1980-85. This Sector however, received 1.8 Percent of the total outlay. A review of the progress of the Sixth Plan reveals that Production in this Sector has increased from Rs.33,538 Crores in 1979-80 to Rs.65,730 Crores in 1984-85 and exports from Rs.2,281 Crores in 1979-80 to Rs.4,558 Crores in 1984-85 at Current Prices. With regard to employment, it increased from 234 Lakh persons in 1979-80 to 315 Lakh in 1984-85. Whereas the output target was exceeded in money terms, the employment target could not be achieved, but there was shortfall to the extent of 11 Lakh Persons.

SMALL SCALE INDUSTRIES IN THE SEVENTH PLAN

The Seventh Plan (1985-90) made a Provision of Rs.2,752 Crores for Village and Small Industries which is 1.5 percent of total outlay. However, the actual expenditure for 1985-90. The Period of the Seventh Plan has been estimated at Rs.3,249 Crores.
A review of the Progress of Small Industries reveals that the achievement of modern Small-Scale Industries and Power Loom Cloth Surged forward and was even more than the targeted level in terms of Production employment as well as exports. As against an achievement of Rs.50,520 crores in production in 1984-85, the production of the modern small scale sector increased to Rs.92,080 crores in 1989-90 indicating an annual average growth rate of 12.7 percent. However, the production of Khadi, village and Handloom clothes and coir yarn and coir products fell short of targets. Another sector which performed exceedingly well was the handicrafts which touched a level of Rs.6400 crores in exports in 1989-90. In the over all scenario, production of Small Scale Industries improved from Rs.64,669 crores in 1984-85 to Rs.114,314 crores in 1989-90 indicating a compound growth rate of 12.1 percent between 1984-85 and 1989-90 at constant prices. In terms of employment, the growth rate was 4.4 per cent. Total employment in this sector improved from 309 lakhs to 385 lakhs. In case of exports, the achievement was commendable. Exports from the village and small sector increased from Rs.4,558 crores in 1984-85 to Rs.14,807 crores in 1989-90 at current prices, the average annual growth of exports was 26.6 percent. However, the growth rate achieved during the seventh plan was not maintained during 1990-91 and 1991-92 on account of constraint of foreign exchange affecting the availability of imported raw materials, components and capital goods, credit squeeze, high rates of interest, recession in foreign markets, etc., But the fact of the matter is that the beneficent effects of the small sector to the economy are far greater than the incentive provided to this sector as compared to the corporate sector.

On the basis of the data provided by the eighth plan, it is revealed that the modern small industries sector is more dynamic as compared with the traditional small industries
sector. In terms of production, the modern sector had a growth rate of 12.4 per cent as against the traditional sector showing a growth rate of 9.9 per cent. Even in terms of employment, as against the traditional sectors growth rate of 3.2 percent, the modern sector showed a growth rate of 6.1 per cent per annum. It is in terms of exports that both the traditional and modern sector showed a growth rate of around 26.5 per cent, but in the traditional sector, the single most important item is handicrafts.

TABLE - 3
RATE OF GROWTH OF THE SMALL SCALE SECTOR DURING THE SEVENTH PLAN (1985-90)

<table>
<thead>
<tr>
<th></th>
<th>Modern</th>
<th>Traditional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>12.4</td>
<td>9.9</td>
<td>12.1</td>
</tr>
<tr>
<td>Employment</td>
<td>6.1</td>
<td>3.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Exports</td>
<td>26.5</td>
<td>26.6</td>
<td>26.6</td>
</tr>
</tbody>
</table>

Note: computed from the data given in the Eighth Five Year Plan (1992-97)

SMALL SCALE INDUSTRIES IN THE EIGHTH PLAN

The Eighth plan allocated a sum of Rs.6,334 crores (at 1991-92 prices) i.e., 1.5 per cent of the total public outlay for the development of village and small industries. However, the actual expenditure (at current prices) was Rs.7,094 i.e. 1.4 per cent of the total outlay.

In terms of targets of production and the achievement in the year 1996-97 the final year of the Eighth Plan, it may be noted that but for raw silk production, in which there was shortfall in production, in all other areas the targets were achieved. Production of small-scale industries reached a peak of Rs.418.863 crores similarly, the production of power loom cloth was of the order of 17,300 million sq.metres in 1996-97 as against the target of 15,240 million sq.metres. Even in the traditional industries village industries, coir fiber,
handloom cloth and handicrafts, the targets of production set for the Eighth Plan were achieved.

So far as employment is concerned, the small industries were able to provide employment to 575 lakh persons in 1996-97. This is really commendable. Out of this, the modern small scale industrial sector provided employment to 228 lakh persons (i.e. nearly 40 per cent of the total) and the traditional sector to 347 lakh persons (60 per cent of the total). The growing share of the modern sector is indicative of the fact that higher productivity and higher earning areas in the village and small industries are getting strengthened. This is really welcome.

A highly praise worthy achievement of the small industries is their contribution to exports to the tune of Rs. 52,230 crores in 1996-97 i.e. 44 per cent of total exports. This proves beyond doubt that small sector are very important in our efforts to globalize the Indian economy. It is, therefore imperative that the Government should devote more attention to strengthen this sector.

SMALL SCALE INDUSTRIES IN THE NINTH PLAN.

Ninth plan notes that the small sector is presently producing about 8,000 items, out of which 822 after the recent de-reservation of 14 items are reserved for production in the small Sector. However, out of the reserved items, it has been observed that as many as 200 are either not produced at all in the small sector or their production is in significant. Besides this, the ninth plan mentions that during the last few years "the growth of SSI sector in the non-reserved areas has been higher than in the reserved categories which is
proof of their inherent strength and resilience of the small scale sector and its ability to respond to the challenge of the market forces.”  

Abid Hussain Committee recommended complete deservation of the products of the small sector. The Government will, therefore review the list of reserved products continually and take action accordingly. As recommended by the Abid Hussain committee, the Government has enhanced the investment from Rs.60 lakhs to 3 crores for the small scale industries and from Rs.5 lakhs to Rs.25 lakhs for the tiny industries.

According to the Ninth Plan, the major problems faced by Small Scale Industries sector are: (i) inadequate flow of credit (ii) use of absolute technology, machinery and equipment (iii) poor quality standards and (iv) inadequate infrastructural facilities.

To increase the flow of credit, the Government has started setting up specialized branches of banks exclusively meant for providing credit to Small Scale Industries.

To improve technology of Small Scale Industries, SIDBI has already set up a Technology Development and Modernization Fund with a corpus of Rs.200 crores. The Government has also set up Technology Trust Funds with Contributions from State Governments and Industry associations for transfer and acquisition of the latest technologies.

Under the Scheme of Integrated Infrastructure Development Centers (IIDCs), infrastructure facilities are being developed in backward rural areas. 50 such IIDCs were established.

to be set up during the Eighth Plan Period, out of which 22 have been approved. This Scheme would be continued during the Ninth Plan with more incentives and financial assistance in hilly areas and North Eastern States.

To help the SSI Sector, the Government has taken a number of Policy initiatives like allowing 24 percent equity participation to large and medium units in SSI Units, Besides this, the Government is simplifying procedures and Labour Laws pertaining to SSI Units.

To Provide technological support and Training to Small Scale Sector, Tool rooms with German, Danish and Italian Assistance are being setup at Indore, Ahamedabad, Bhubneshwar, Jamshedpur and Aurangabad.

The Credit Provided to the SSI Sector by the Financial Institutions is considered credit to “Priority Sector“ by March, 1996, the total credit provided by Public Sector banks stood at Rs.29,842 Crores. The cumulative disbursements by State Financial Corporations amounted to Rs.12,704Crores upto March, 1996.

The National Small Industries Corporation (NSIC) has envisaged an increase in its turnover from Rs.644 Crores in 1996-97 to Rs.1,560 Crores in the terminal Year (2001–02) for the Ninth Plan. It will focus on tiny and Rural Industries with an increase in the investment limit for Plant and Machinery for SSI Units upto Rs.3 Crores more Units would be falling under the SSI Sector. The NSIC would have to focus on advanced technology, high quality standards and modernization of Small Scale Industrial Units.
The Government announced its Policy towards the Small Sector on 6th August, 1991. The main features of the Policy are:

The Small Scale Industrial Sector has emerged as a dynamic and vibrant Sector of the economy during the eighties. At the end of the Seventh Plan period, it accounted for nearly 35 percent of the gross Value of output in the manufacturing Sector and over 40 percent of the total exports from the country. It also provided employment opportunities to around 12 million people.

The Primary Objective of the Small Sector Industrial Policy during the nineties would be to impart more vitality and growth impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of Output, employment and exports.

Government have already announced increase in the investment limits in Plant and Machinery of Small Scale Industries, Ancillary Units and export oriented Units to 60 Lakhs, Rs.775 Lakhs and 75 Lakhs respectively such limits in respect of “TINY” Enterprises would now be increased from the present Rs.2 Lakhs to Rs.5 Lakhs irrespective of locations of the Unit.

Service Sub-Sector is a fast growing area and there is need to Provide support to it in view of its recognized potential for generating employment. Hence all Industry-related Service and business enterprises, irrespective of their location, would be recognized as small scale industries and their investment ceilings would correspond to those of tiny enterprises.
It has also been decided to widen the scope of the National Equity Fund Schemes to cover projects upto Rs.10 lakhs for equity support ( upto 15 percent ) Single Window Loan Scheme has been enlarged to cover projects upto Rs.20 Lakhs with working Capital margin upto Rs.10 Lakhs. Composite loans under Single Window Scheme, now available only through State Financial Corporation (SFCs) and Twin function State Small Industries Development Corporation (SSIDCs) would also be channelized through Commercial Banks. This would facilitate access to a larger number of entrepreneurs.

Inadequate access to Credit—both short term and long-term remains a perennial problem facing the Small Scale Sector. Emphasis would henceforth shift from Subsidized / Cheap credit except for specified target groups and efforts would be made to ensure both adequate flow of credit on a normative basis, and the quality of its delivery, for viable operations of this Sector.

To Provide access to the Capital Market and to encourage modernization and technological up gradation, it has been decided to allow equity participation by other industrial undertakings in the S.S.I. not exceeding 24 percent of the total shareholding. This would also provide a powerful boost to ancillarization and sub-contracting leading to expansion of employment opportunities.

A beginning has been made towards solving the problem of delayed payments to small industries by setting up of “factoring” Services through Small Industries Development Bank of India (SIDBI) Network of such services would be set up through out the Country and operated through commercial banks. Factoring Services imply that SIDBI or any commercial bank will buy the manufacture’s invoices from SSI Units and take the responsibility for collecting payments due to them by charging commission.
A Technology Development Cell (TDC) would be set up in the Small Industries Development Organization (SIDO) which would provide technology inputs to improve productivity and competitiveness of the products of the Small Scale Sector.

The TDC would co-ordinate the activities of the Tool Rooms, Process cum Product Development Centers (PPDs) existing as well as to be established under SIDO and would also interact with the other industrial research and development organizations to achieve its objectives.

Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the Small Scale Sector particularly the tiny Sub-Sector.

National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between NSIC and SSIDCs would be established.

Through the Small Scale Sector is making significant contribution to total exports, both direct and indirect, large potential remains untapped. The SIDO has been recognized as the nodal agency to support the Small Scale Industries in export promotion.

Industry associations would be encouraged and supported to establish quality counseling and common testing facilities. Technology and Markets would be established.

Indian Institutes of Technology (IITs) and Selected Regional / Other Engineering Colleges will serve as technological information, design and development centers in their respective command area.
Government will continue to support first generation entrepreneur through training and will support their efforts. Large number of EDP Trainers and motivators will be trained to significantly expand the Entrepreneurship Development Programs (EDP). Industry Association would also be encouraged to participate in this venture effectively. Women entrepreneurs will receive support through Special Training Programs.

PROBLEMS OF THE SMALL SCALE INDUSTRIES

Thanks to the incentives and encouragement given by the Government, the Small-Scale Sector in India has made a substantial progress during the last four decades. The Volume and variety of its output have both greatly increased. But their development has not been commensurate with their potentialities or with the need for them. Besides, whatever progress has been made is not without serious weakness and drawbacks. In fact, Small-Scale Industries have had to function under Serious handicaps. Here are the main problems / difficulties faced by them, which have retarded their development.

To start with there is the inefficient human factor, owing to the illiteracy, Ignorance and the out-of-date methods of the Cottage workers. The entrepreneurial abilities of the promoters of small enterprises are handicapped by the lack of technical know-how on the area of production, finance, accounting and marketing management.

The Small Industrialists are generally poor and there are no facilities of Cheap credit either. They fall into the clutches of the money lender who charges very high rates of interest, or else they borrow from the dealers of their goods, who badly exploit them by compelling them to sell their products at very low prices. Till the nationalization of 14 major Indian banks in July 1969, the commercial banks were providing only a very small
proportion of their financial requirements. The position has somewhat improved since then, but it is far from satisfactory yet. Credit to the Small Scale Industries Sector continues to be Non-Commensurate with its contribution to the total Industrial output. As against the share of the Small Industries Sector at 40 percent in the Industrial Output, its share in total credit to the Industrial Sector is only about 30 per cent.

Since marketing is not properly organized, the helpless artisans are Completely at the mercy of middlemen. Moreover the potential demand for their goods remains under-developed. The Small-Scale Units in marketing their products. It causes damage to the growth and stability of Small-Scale Industries. Moreover, Cottage and Small Units produce such products, which cannot satisfy modern tastes. The Small-Scale Units cannot afford to spend lavishly on advertisement to promote their sales. They also cannot afford to have services of specialists to prepare marketing plans for penetration into domestic and foreign markets.

The Quantity, Quality and regularity of the Supply of raw materials are also all highly unsatisfactory. Since they purchase in Small quantities, they are charged high prices. Special difficulty is experienced in the case of procuring semi-manufactured materials like mill-made yarn, brass and iron sheets. At times, the Small-Scale Units have on that account to work very much below capacity or even shut down. According to an estimate, about 40 percent of such units have become sick owing to the non-availability of raw materials regularly. The Problem of raw material is more acute in the case of non-registered Small-Scale Units. The genuine Small-Scale Units do not get adequate raw materials because bogus units secure the sizable quota of raw materials. According to a reliable estimate 25
percent of Small-Scale Units in the country are bogus and that they exist for the sole purpose of diverting their quotas of Steel, Aluminum basic Chemicals and other scare raw materials into the black market. It is time to break the stronghold of such vested interest and promote genuine entrepreneurship.

Machinery and Equipment Suited to Small-Scale Industries is another serious handicap. Very Little attention has been paid to manufacturing machinery suitable for Small Industries. As for the cottage crafts-men, they use primitive tools. A recent Study Team found a high degree of obsolescence varying from 25 percent to 74 percent in the Small-Scale Sector. This is bound to keep this sector inefficient. Hence, the Problem of Small-Scale units is the lack of the availability of suitable machines and the obsolescence of the machines in use.

The Progress of electrification has no doubt been not too slow and halting, but in recent years power shortage and frequent power cuts have played havoc with the small-scale industries. The small- scale units especially the cottage units located in the non-conforming areas suffer the most as for as the availability of power is concerned. It is because these units are not registered small-scale units. As for as the power problem of registered small scale industries are concerned, they suffer from the problem of erratic supply of power.

A recent report by a Reserve Bank Committee has revealed that small scale industries face another serious financial difficulty in as much as more than half of the total small scale units catering to medium and large industries face the problem of late payment of their bills by the latter. The committee has found that the position of small enterprises in regard to payment by Government department and public sector undertakings is more or less identical with the pattern of their sales to medium and large industries.
It is found that the levels of productivity and technology used by the small-scale sector are not globally competitive. Without technological upgradation these units may not service in a globally integrated economy.

In the words of the Seventh Plant Document, “the Growth and Development of this sector has been constrained by several factors including technological obsolescence, inadequate and irregular supply of raw materials, lack of organized market conditions, unorganized nature of operations, inadequate availability of credit, constraint of infrastructure facilities including power, etc. and deficient managerial and technical skills. There has been lack of effective coordination among the various support organizations set up over the period for the promotion and development of these industries. Quality consciousness has not been generated to the desired level, despite the various measures taken in this regard. Some of the fiscal policies pursued have resulted in unintended splitting up of the capacities into uneconomic operations.”

POLICIES AND PROGRAMMES TO REMOVE DISABILITIES

Small enterprises are presently seriously handicapped in comparison with larger units by an inequitable allocation system for scarce raw materials and imported components, lack of provision of credit and finance; low technical skill and managerial ability; and lack of marketing contracts. It is, therefore, essential to develop an overall approach to remove these disabilities so as to strengthen their competitive position.

The Second International Team studied the problem of availability of raw materials, imported components for production and selected imported equipment to the small enterprises and emphasized that the small-scale industry has not shared proportionately in the growing supplies of scarce raw materials. In pursuance of this
recommendation, the Government started giving priority in raw materials allocation to 
small-scale sector. The Seventh Plan expressed its deep dissatisfaction in this regard in the 
following words: "While various measures have been taken for supply of raw materials to 
the Small-Scale Units through State Small Industries Development Corporations, import 
quota etc. in actual practice the sector gets more or less a residuary treatment in raw 
material distribution / allocation." 14

The financial disability of small enterprises is beyond question. Their internal resources are so small that they have no surplus to live on during the period of business strain. This leads to instability of their profits which deters banks from giving unsecured loans. "Considering the vital role of small industries within the Indian industrial economy, the total amount of loans granted to small industries forms a very small part of the total loans to Indian Industry." 15 In March, 1994 as against a total advance of Rs.80,492crores to all industries from commercial banks, small industries received Rs.22,620Crores, i.e., 28.1 percent. In 1967, the share of small industries worked out to be 6.6 percent. Nevertheless there is still a need for a positive change in the outlook and approach of our financial institutions towards small scale enterprises. Their credit-worthiness should not be judged in terms of the value of the assets but in terms of the ability of an enterprise to do the job and earn profit. This required the evolution of a system of integrated credit whereby long-term loan capital and short-term credit are provided adequately, at a reasonable rate of interest. The State Bank of India and the other public sector banks have evolved several schemes to help the growth of small industries.

The Reserve Bank of India evolved a Credit guarantee scheme for Small-Scale Industries in 1960. The RBI takes upon itself the role of a guarantee organization for the advances which are unpaid including interest overdue and recoverable charges.

Not only working capital but even advances for the creation of fixed capital are covered under the scheme under which loans sanctioned on the basis of guarantee aggregated to Rs.7.6 Crores in 1961-62, Rs.163 Crores in 1968-69 and Rs.16,826 Crores at the end of March, 1990. This shows the steady increase in the flow of institutional credit to small-scale industrial sector. According to a study by the Reserve Bank, the Small-Scale entrepreneurs are basically honest, enterprising and with far greater personal stake in their enterprises than the large-scale enterprises. In support of this, the Reserve Bank Report on Currency and Finance (1984-85) points out: Under the Corporations Scheme, 18,720 claims aggregating to Rs.59 Crores were received during 1984-85, out of which 11,408 claims were disposed of for Rs.12.5 Crores. The Claims made were only 0.5 percent of the total amount guaranteed. This is a creditable record of the honesty and credit worthiness of small units. Despite the vast increase in credit facilities for small-scale industries, most artisans and craftsmen particularly those belonging to the poorer sections of the society and working in small towns and villages are unable to obtain their credit requirements.

TECHNICAL ASSISTANCE

The development of small-scale enterprises is hampered by the present low level of technology and shortage of trained and experienced supervisory personnel. Provision of technical service is, therefore, an important and justified form of aid to stimulate increased productive efficiency and encourage new product lines.

There are at present two arrangements for providing technical advice and assistance to small firms. First, the Central Small-Scale Industries Organization, through its Service Institutes and Extension Centers, provides a staff of technically qualified people whose job is to give advice to small entrepreneurs on the technical problems facing them. A Second type of technical assistance is given by the common facility workshops, in undertaking difficult production operations on behalf of small firms at a cost, which at present generally excludes interest and depreciation on the machinery employed. It is rather unfortunate that these production facilities are underutilized.

MARKETING ASSISTANCE

Small-Scale firms suffer from marketing difficulties as their products are often unstandardised and of variable quality. Undoubtedly, the originality of design is their special quality but it leads to imperfection of the market, which tends to confer benefits to branded and advertised commodities. There is, therefore, a clear case for government intervention to eliminate these imperfections by improving information and bringing producers and dealers into close contact with one another. In order to provide guarantee for sale, the Government gives preference upto 15 percent on some of the products sold by the small firms. The National Small-Scale Industries Corporation assists small firms in obtaining a greater share of government and defense purchases but does not assume
marketing responsibility. NSIC which was started in February, 1955, helped the establishment of 21,384 Small-Scale Units. Besides, it was able to secure purchase orders amounting to Rs.70 Crores in 1979-80 for small industries from the Director-General of Supplies and Disposals.

SETTING UP SMALL-SCALE INDUSTRIES PROMOTION BOARDS:

In the first place, several appropriate boards or organizations have been established in the last few years and these have been given adequate powers and funds effectively to carry out their task. Among the important ones may be mentioned: The Cottage Industries Board, the All-India Handicrafts Board, the All-India Handloom Board, the Khadi and Village Industries Commission, a Central Marketing organization, Invention Promotion Board.

In regard to Small-Scale (Urban) Industries, there is the Board of Small Scale Industries and also a Special Development Commissioner at the Center. National Small Industries Corporation assists Small-Scale Units in securing orders from the Government Departments and Railways. There is also a Small Industries Development Organization.

Another method which the Government has adopted for the Development of these industries is the principle of levying a cess on the Corresponding Large-Scale Industries to assist cottage and small-scale industries. For instance, a per meter cess has been review on all mill-made cloth. The Revenue that the cess yields is spent for helping handloom industry.
The Government has offered temporary protection by means of a subsidy or by reserving a sphere of production exclusively for Small Industry. However, big and multinational companies can manufacture the items reserved for the Small Scale Sector only if they export a minimum 75 percent of their production. The number of reserved items has been steadily raised and it stood at 836 as on March 31, 1998.

To enable the Small Scale Industries to Compete with factory goods, appropriate excise duties have been imposed on factory products, while small units have either been exempted or concessional rates of duty are prescribed in respect of them. The union Budget for 1993-94 has enhanced the central excise exemption limit for registration of small-scale industries from Rs.7.50 lakh to Rs.10 lakh. This will free a large number of the small scale units from the necessity of Registration. A small-scale unit having a turnover up to Rs.30 lakh has been exempted from excise duty. This would benefit a large number of units in the lower segment of the small-scale sector.

Efforts are being made for extending credit facilities for small industries. Accordingly, State Financial Corporation have been set up in all State by an amendment of the Reserve Bank Act, the reserve Bank has also been enabled to provide funds to State Cooperative Banks and State Financial Corporations for the production and marketing of product of such industries. The State Bank of India has also been taking active steps to provide finance for small-scale industries. Till its discontinuance at March-end 1981, the Government of India operated its Credit Guarantee Scheme covering loans to small-scale industries by banks, etc., This scheme was then handed over to the deposit Insurance and Credit guarantee Corporation(DICGC) which now offers guarantee for such loans. The
scale of loan under this credit Guarantee scheme has been rising fast-from Rs.3,558 crores at march-end 1991 to Rs.7,738 Crores at June-end 1997.

Since the nationalization of the 14 Major Indian joint Stock banks in July 1969 and of 6 more banks in 1980, credit facilities for small-scale industries by nationalized banks have remarkably increased. Most of them have now liberalized banks terms and conditions with regard to margin, security and rate of interest in an effect to provide easy credit facilities to such industries. Some of the banks have established separate cells to look after the financing of the small-scale industrial sector.

On the eve of nationalization in July 1969, public sector banks outstanding advances to small industries sector were about Rs.251 crores covering 51,000 units, but by the end of march 1992, these banks had helped small unit with financial assistance amounting to Rs.17,487 crores (Loans outstanding) i.e., practically over 69 times in 23 years. The commercial banks loans to small-scale industries are priority sector loans at a concessional rate of 12 per cent interest as compared to 16 per cent charged from large-scale units. There has similarly been a remarkable increase in credit from state financial corporations to small-scale industries.

The Government of India, on the basis of the recommendations of the Nayak Committee announced the following measures to boost bank credit flow to SSI units.

i. The commercial banks would draw up an annual credit plan at branch level in consultation with SSI units.

ii. The SSI unit would be given working capital finance at least equal to 20 percent of their turnover. This would apply to such SSI unit which need financial assistance up to Rs.1 crore.
National Bank for Agricultural and Rural Development (NABARD)

Since its inception in July 1982, it has been providing refinancing facilities to financial institution to enable them to finance small scale industries in rural areas.

Small Industries Development Bank of India (SIDBI)

In his budget speech in February 1988, the then union Finance Minister announced the Government's decision to establish a small industries Development Bank of India (SIDBI). The new bank will be a subsidiary of the IDBI, and will have an equity capital representatives from the small-scale sector. It began its operation on April 2, 1990. The new Bank will also administer both the small industries Development fund and the National equity fund for providing equity support to projects in the tiny and small-scale sector. SIDBI has a network of 26 regional and Branch Offices spread over all the states and union Territories.

Small Industries Development fund (SIDF)

This found was established in 1986 with Rs.2,500 crores, under Industrial Development Bank of India, to take care of the financial problems of the small sector. Assistance under SIDF were sanctioned to the tune of Rs.2,297.9 crores to 1,33,095 units during 1989-99.

National Equity Fund

With a view of helping entrepreneurs to set up more small industrial units, the government set up the National Equity Fund in august 1987. Equity support is provided to deserving small entrepreneurs out of this Fund to establish new projects in tiny/small-scale
sectors in rural and urban area with a population below 5 lakhs. Assistance under the Schemes is available not only for establishing new projects, but also for the purpose of rehabilitation of small viable sick units. The Fund is administered by the Industrial Development Bank of India (IDBI) through its small Industries Developments Fund (SIDF) which stood at Rs.2,796 crores at the end of June 1997. The SIDF aims to step up flow of assistance to the small sectors and to provide a focal point to co-ordinate at the apex level the availability of both financial and non-financial inputs to the small industries. The government has provided Rs.5 crores towards the fund with the IDBI providing the equal amount. The scheme is administered by the IDBI through nationalized banks. Assistance under the scheme is available up to maximum of rs.75,000 per project at a nominal interest of 1 % per annum, repayable over a maximum period of seven years, including an initial moratorium up to three years. No security is required to be provided by borrowers for assistance under the scheme.

In order to assist those small scale industries which do no qualify for assistance under conventional modes, SIDBI set up venture capital fund in 1992-93. SIDBI has decided to establish a line of Credit for select finance companies and merchant banks to enable them to lend and services/SSI Units. During 1992-93, SIDBI disbursed assistance to the tune of Rs.2145.8 crores as against Rs.1838.5crores in 1990-91.

The Government has also greatly liberalized their stores purchase policy. The products of such industries are given preference in spite of higher price up to a certain percentage. Use of khadi has been ordered in the case of several kinds of Government supplied uniforms. Besides, 409 items have been reserved by the government for exclusive
The Small Industries Development Organization provides techno-managerial consultancy services and conducts management courses. During 1992-93 it provided technical assistance to nearly 1 lakh entrepreneurs.

A village industries research Institute have been established for carrying our research in techniques of production and various other aspects of village industries. The Government has set up tool room and training Center facilities at Calcutta, Ludhiana and Hyderabad with a view to effecting technological upgradation of the small scale sector. These centers provide consultancy services to engineering units on processes of production, product development, designs, standardization of components and training facilities to worker and supervisory staff.

Industrial Estates:

They have been set up to help the small entrepreneurs in a number of ways. The Government acquires the land, develops it, constructs roads and puts up factory buildings of different sizes. It makes arrangements for the supply of electricity and water, etc., the factory buildings are then let out on rent or given on hire purchase terms or sold out straightaway. Loans for capital expenditure, equipment and also for working capital are also given on easy terms. common services workshops are also set up by the government for items like heat treatment, electric furnaces, etc., which the small units cannot normally afford to do on their own.
SPECIAL FEATURES OF SMALL SCALE INDUSTRIES

Small Scale Industries may be managed by their owners, who are often family members. The decision-making system is quite flexible, informal and dependent on the personal drive of one or more of the executives.

Small Scale Industries are devoted to a narrow range of products and/or services on the basis of very limited capacities and resources, that is, know-how equity and borrowing capacity.

Small Scale Industries have relatively simple and un-sophisticated management structure and they apply a limited range of administrative procedures. Their productive knowledge is more often embodied in the managers and technicians rather than in formalized blueprints, manuals and designs.

Small Scale Industries have a narrow tolerance range for risk and are particularly sensitive to changes in the socio-economic context as well as to the impact of barriers and incentives deriving from economic and institutional arrangement.

Many of the Small Scale Industries may be new comers on the industrial scene of the country and relatively inexperienced and unprepared in business transaction especially international business.

Small Scale Industries are not in general market leaders although they may enjoy a dominant position in a very specialized segment of a particular market, very often in a subcontracting context.

TYPES AND CLASSIFICATION OF SMALL SCALE INDUSTRIES

Highly innovative or actively imitative Small Scale Industries, specializing in well defined market areas and providing for flexible adaptation to customer needs, such as, in engineering areas.
Satellite firms, which may not have an autonomous market share and are dependent largely on subcontracting from larger firms. Two types of subcontracting may be noticed: productive subcontracting as in the machinery sector, supplying components, and commercial subcontracting in traditional sectors, such as, clothing and shoe making, supplying final goods that are commercialized by the big partner company under the latter’s own trade mark.

Marginal Small Scale Industries producing traditional goods; they are usually Labour-intensive and legislative measures may not fully be adhered to by such Small Scale Industries

**Other classifications :**

**A. By Type of Input :**

- **AGRO-BASED** (Processing of agricultural crops and by-products, livestock and poultry)
- **RESOURCE-BASED** (Processing of raw materials from mineral, aquatic and forest resources)
- **UTILITY-BASED** (Processing largely dependent on such utilities as power and water)
- **SKILL-BASED** (Processing activity highly dependent on specialized labour and technical competency)
B. By Market Orientation:

- **HOUSEHOLD MARKET** (Production of Commodities used by individuals and households, e.g. food, garments, footwear, furniture)

- **INDUSTRIAL MARKET** (Production of components and machinery for use in other industries)

- **SUB-CONTRACTING** (Production under contract with other industries, e.g. components, or performance of specialized operations for other industries, e.g. welding finishing, electroplating, packing)

C. By Geographical Orientation:

- **URBAN-BASED** (Processing is mostly done in Urban areas because the work requires certain facilities and/or closeness to the market)

- **RURAL-BASED** (Processing is mostly done near source of raw materials, labour, etc. Small Scale Industries serve as non-farm or off-farm employment source. Village and Cottage Industries)

- **"FOOTLOOSE"** (Processing is not highly dependent on locational advantage but on the availability of certain critical factors)

D. By Technology:

- **PHYSICAL PRODUCT** (Production of commodities applying specific product technology)

- **SERVICE** (Maintenance and repair services, welding, finishing, electroplating, machining etc. applying specific process technology)
Small Scale Industries Contribute, in qualitative terms, significantly to:

- Capital saving: mobilization of private savings and harnessing them for productive purposes.

- Value added Generation

- Employment Generation

- Utilization of indigenous resources more effectively and productively

- Accelerating rural development and contributing to stemming urban immigration and problems of congestion in urban areas

- Dispersal of industries in various regions of the country, hence reducing the concentration of industries in urban areas and promoting regional balance in economic growth.

- Establishing links between agriculture and industry and utilizing local raw materials, farm products and waste products available in relatively small quantities

- Stimulating entrepreneurship, especially in the country-side, and serving as a training ground for entrepreneurial ability and managerial talent.

- Income distribution, helping to build a strong middle class by developing a group of entrepreneur-managers, hence discouraging the concentration of economic power in the hands of a few persons.

- Enhancing flexibility of production and rapid market response

- Strengthening the industrial structure through sub-contracting tie-ups, supplying parts, components and raw materials and other complementary relationships with larger industries.

- Important role in International transfer of technology
The strengths of Small Scale Industries arise from their low economies of scale flexibility due to centralized decision making in the entrepreneur, and can accept orders for small lot sizes, produce more styles or diversify into new products using the same machine; and close integration with local community through local ownership, management, dependence on local market as well as sources of raw materials and labour.

Small Scale Industries suffer from some inherent weaknesses: Lack of control of outside environment, difficulties in obtaining credit and capital and have no special bargaining strength in the market. Lack of or unbalanced management skill and competence resulting in internal problems. One of the infrastructural weaknesses is the lack of or poor information facilities particularly about business and market conditions, developments in technology, and other uncontrollables. The latter include:

➤ Resource availability: availability, cost and quality or required raw materials

➤ Competition: direct and indirect competition

➤ Economic Conditions: total market size, economic trends, and Income situation

➤ Socio-cultural condition: Societal values affecting consumer behavior, life style, fashion consciousness, consumer preferences

➤ Political and legal situations: Political risk situations, regulatory measures, regulating agencies and their work.

➤ Technological developments: State of Technology, rate of Technology change.

Other deficiencies in management competence are also important to be taken into account in providing assistance and information. These include:

➤ Lack of long-term policy and planning for the business
Decisions are often based on the entrepreneur's flair and intuition rather than on systematic analysis of data and information and rational decision making based on such analysis.

- Poor market practices resulting from poor market information
- Inadequate testing and quality control facilities
- Low technological level which results in lower productivity, poorer quality of product and difficulty in facing competition
- Poor production system and organization due to lower level of skill, competence and knowledge of operators
- Deficient book-keeping and accounting systems.
- Poor credit and collection practices arising at times from lack of information and knowledge of credit sources and documentation detailing what needs to be done.

Development of Small Scale Industries requires timely availability of resources adequate in quantity and in quality. Such resources include:

- **Human resources**: entrepreneurs, labour, support personnel, industrial extension officers, etc.
- **Material resources**: agriculture, forest, mineral, aquatic resources
- **Natural resources**: oil, gas, geothermal energy, water, etc.
- **Intangible resources**: Indigenous technology, information, innovative and creative capacity of people etc.
- **Financial resources**
- **Physical infrastructure**: support facilities that enable and facilitate the production and marketing of products, for example.
  - **Basic infrastructure**: such as, transportation facilities.
  - **Utilities**: energy/power, water
• **Support facilities**: such as, communication, warehousing, credit, industrial research institutions, testing, quality control, data banks

➢ **Institutional infrastructure**:
  
  • Government Policies, attitude, assistance programmes, administrative
  
  • Structure that facilitates transactions, stability of the regime, etc.,

➢ Private sector with positive attitude to work, strong motivations to succeed and excel, social mobility of people, social responsibility, self-help, etc.

The present-day entrepreneur faces other new challenges: To apply new and appropriate technologies to increase productivity, quality of goods and services and to compete in the international market.

And in addition to exporting goods and services, there are motivations to “go abroad”. The motivations for the small enterprise to go abroad are similar to those for larger firms. For example, pressure from competition both in the domestic as well as in the foreign markets, for exporting enterprises the threat of protectionism in third countries is another important reason for establishing production facilities abroad. The need to assure a stable supply of raw materials, advantages of lower labour cost abroad opportunities for capitalizing on an innovative advantage and the will to diversify risks could also be strong motivations. Small enterprises are more sensitive to government programs encouraging investments abroad and diversification.

The Small entrepreneur may also find protection available under the international patent system helpful.
RESEARCH TRENDS OF VARIOUS STUDIES ON SMALL SCALE INDUSTRIES

Prospects and problems of small scale industries is not a virgin field to explore. In the study 'Capital requirements of small industry' under taken by SIET institute, Hyderabad, a systematic survey of 150 small scale units selected from the twin cities of Hyderabad and Secendrabad, Warangal and Mahboobnagar was made. The study threw new ideas as to needs for streamingly the credit facilities to small industries and the technical, social and economical infrastructure needed for the dispersal of industries. The study observed that idle capacity was dominant in units of all sizes, either because of Non-availability of raw materials (68%) are inadequate working capital (38%).

The small industry extension training institute (SIETI), Hyderabad: Conducted an in depth study of entrepreneurs in the north eastern region of India in 1976-78. The study revealed that most of the entrepreneurs in the northeastern region of India were drawn from upper caste Hindus and relatively few from tribal and poorer sections. The study had observed a lot of variations in the level of developments in the entrepreneurship between the political units of the north east region. P.N.Dhar's study "Small scale industries in Delhi – A study in investment, output and employment aspects", presented the empirical data collected from 326 SSI units located in the Dehli region. The study analyzed the investment pattern, composition of fixed and working capital, relative importance of fixed and working capital in the small scale sector, elements of cost, capital output ratios labour output ratios and net value added per worker in different industry groups surveyed.

No study has so far been made on the problems, prospectors and information needs of small scale industrial units of industrially development district of the state of Andhra
Pradesh. Unlike the heavy industries, the information needs of the small scale industries are rather slightly different in nature. Where as the former is more interested in acquiring. The regular published information for their routine functional activities and solving problems related day to day production and marketing sites.

The status of the small scale industrial units located in an industrial developed district is different from that of the small scale units situated in an industrial backward environment.

The present study makes a humble attempt to explore the problems and information needs of the small scale units located in an industrial developed district of Andhra Pradesh viz. Chittoor.