The Small scale Industrial (SSI) Sector contributes significantly to the prime social objective of providing employment opportunities to millions of people across the country. The SSI sector has been contributing significantly to industrial production, exports and national Gross Domestic Product. The sector has been assigned the target of annual growth of 12% and creation of 4.4 million additional jobs during the Tenth Five Year Plan.

India’s Tenth Plan (2002-2007) sets a target of 8% growth in GDP and 10% growth in industry sector. In this respect, the SSI sector is set forward to contribute 12% per annum growth, so as to achieve a 10% growth in industrial sector. As a matter of caution, it may be mentioned that although SSI’s growth rates had been over and above India’s overall industrial sector’s growth and the growth rate of GDP, yet ever since SSI’s peak growth of 1995-96, it is yet to attain it. Thus, Tenth Plan’s rely on SSI sector appears to be heavy.

Credit requisitions of SSI are predicated by long-term credits and working capital. The Plan estimated capital requirements of SSI sector of Rs. 63,000 crore as long term capital and Rs. 1,23,000 crore as working capital by the terminal year of the Plan period.

Hence, specially from the point of view of metamorphosic change in the financial infrastructure resulted out of the accelerated pace of deregulation of financial sector, financial resource support to SSIs is bound to be crucial and financing of its infrastructure, marketing, modernizing technology, exports and many other specialized support services will be the major focus areas.

The Indian financial system is undergoing metamorphic changes. From the point of view of financial resource support service to SSIs, the forthcoming years will be of more importance mainly due to the accelerated pace of deregulation of financial sector. Financing of infrastructure, marketing, technology up gradation and services sector of SSIs are bound to be the major focus areas which should necessarily be comprehended for an appropriate apprehension of future prospects of SSIs.
SIDBI was established under SIDBI Act 1988 and commenced its operations w.e.f. April 02, 1990 with head quarters in Lucknow and branches all over the country, as a subsidiary of IDBI. It took over the IDBI business relating to small scale industries including National Equity Scheme and Small Industrial Development fund. The objective of establishment of SIDBI, in particular, is to strengthen and broad-base the existing institutional arrangement to meet the requirement of SSI and tiny industries.

To enable the SSI sector to achieve high levels of target, banks and financial institutions are expected to deploy an amount over Rs. 63,000 crores as long term capital and Rs. 1,23,000 crores as working capital by the terminal year of the Plan period. Interestingly, of the given requirement of long term credit to be supported by all term lending institutions, SIDBI alone intends to meet at least two-third of the same during the Tenth Plan period.

The present research work tries to evaluate the present status of SSI sector in India and its future prospects in this respect. Quite obviously, behind any sectoral performance, it is the financial backbone and other specialised support services that basically provide strength to the sector. This is also true for the SSI sector. In this respect, here we have evaluated the financial and specialised resource support provided to the SSI sector by SIDBI at the apex level, followed by Banks and UPFC in general.

In addition, a micro-level study of SSI units in Varanasi district is being conducted. The basis of primary data survey has been purely on random basis and we do admit that it lacks representativeness of vast activities and its proportions under SSI sector. On the whole, our appraisal consists of 168 SSI units, engaged in as many as 37 types of different activities.

The basic objective of this primary survey was to collect informations on what types of various problems that these SSI units are facing with regard to not only raw materials, financial assistances, employment and labour, level of investment and associated problems, but also the types of competition that these units are encountered with.

At this juncture, it will be quite appropriate to mention about our study periods. These are divided into three slabs, namely,

1. For evaluation of SSI sector, the IIIrd All India Census of SSI is being used.
2. For evaluation of SIDBI’s contribution, the period from 1990-91 to 2002-2003 is being considered, admittedly for the time limitation of the research work.

3. For analysis of current problems faced by the SSIs, the Primary data survey was conducted in the year 2008.

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