CHAPTER - ONE

INTROSPECTION ON SSI SECTOR
INTROSPECTION ON SSI SECTOR

1.0 Prelude

Small Scale Industrial (SSI) sector has been a dynamic and vibrant sector of Indian economy in general and industrial sector in particular. The SSI sector has acted not only as a cradle to cherish grass root of entrepreneurial talent but also to provide employment opportunities at the local level. Its impulse on country’s economic growth is envisaged by the fact that SSI’s production accounted for 22.85% of India’s GDP and its exports marked more than 3% of GDP (2001-02). A decade ago to this year, in July 1991, Government of India adopted two corrective measures (popularly termed as New Economic Policy (NEP) or Economic Reforms): (i) short term crisis management to correct fiscal and BOP deficits. This policy programme was termed as Stabilization Policy, and (ii) long-term structural reforms to improve upon state of growth, and was named as Structural Adjustment Programmes, aimed at reducing structural rigidities in India’s industrial sector, external trade and taxation.

Thus, was the end of an era of protection to the SSI sector. Prior to 1991, it had been a general acceptance that small enterprises needed protection through product reservations, price preferences etc. However, since India’s Eighth Plan (1992-97), then the Ninth Plan (1997-02) and now the Tenth Plan (2002-07), Indian economy experienced a transition from more or less restricted domestic economy to a market driven global economy. The era was thus of an increasing competition through growing
internationalization and the challenge before the SSIs had not only been of survival but also of competence.

- **On the Performance Profile**

A comparison between pre-liberalisation period (1980-81 to 1990-91) and two post-liberalisation periods (1990-91 to 1998-99, and 1998-99 to 2002-03) revealed that the growth rate of SSI's production was higher during pre-liberalisation period (19.84%) than during the two post-liberalisation periods (which was 17.17% and further came down to 9.93%). Employment generation growth rates also marked similar falls from 5.97% to 4.19% and further down to 3.62%. However, SSI’s exports are marked to be picking up from 11.25% to 12.07% and to 13.34% respectively. Experiences of top 10 performing States in SSI sector were also of no exception. In fact, the falling or the negative growth rates are a matter of great concern for SSI sector of the top 10 States, with respect to their number of SSI units, employment generation, levels of fixed investment and production. This is a clear indication of how R&D, modern technology, cost and price factor, packaging and pricing etc. coupled with information technology to extend timely information of market demand helps Export Oriented Units (EOUs) of the sector to keep up with market competition and economic openness of this age.

Keeping these in view on one hand, on the other hand we also find the second generation of economic reforms is underway with vigour. Liberalisation of the key sectors is gaining momentum. Regulatory and legal framework is relaxed to provide further impetus to growth of the economy. Yet these reforms are asymmetrical favouring the larger and big ones. The limitation on the part of the government is its
inability to provide low cost capital and cheap services to SSI sector in the event of its growing financial repressions, pressures of expenditure cuts, lowering of subsidies and controlling of fiscal deficits. In absence of meeting growing need of low cost capital and cheap specialized support services, things may become further worse for the SSIs. Thus lies the need to review economic reforms policies on SSI sector.

- **On Responsibility & Problems of SSI Sector**

  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. In addition, 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. Thus, in view of the challenges posed by WTO-oriented global competitiveness, the credit policy and support services for SSI sector demand special attention.
Based on State and Union Territory-wise profile of registered SSI units in India, the major issues faced by the top 10 States that act as hurdles to growth of SSI sector are:

► Lack of R&D facilities and feel for the need of technological upgradation and modernization in the event of intensively competitive market structure of the present era of Economic Reforms.

► Existing complex rules and regulations; and also the need for further rationalization of the existing tax structure.

► Lack of infrastructural facilities together with the need for marketing facilities were also their major complaints.

► Inadequate availability of credit also acted as hindrance to growth. In addition, delay in disbursement of subsidies was also another issue.

► Lack of adequate working capital and its not easy availability was another impediment to growth.

► Delayed payments of receivables further acted as their financial worry and a matter of concern.

► Either lack or lower ancillarisation was also a matter of growth concern.

   In this respect, the need of rehabilitation of sick units was also stressed.

► Quite importantly, states like Tamil Nadu and Gujarat seek for the need to strengthen Information Dissemination System.
Expostulation of Vital Factors

(a) Term Loans and Disbursements

In the midst of inflow of foreign capital with its asymmetrical bent towards the large scale industries, the flow of institutional finance for meeting term credit and working capital requirements of the SSIs has become more vital and needs reconsiderations. It is certainly alarming to note that within a span of 10 years during the post-liberalisation, SFC’s Term Loan’s lower slabs (upto Rs. 5 lakh) witnessed heavy fall from 28% of total term loan sanctioned in 1990-91 to mere 1.5% in 1999-2000. In terms of number of SSI units corresponding to these term loans, it went down from 83% to as low as 23% of total SSI units under aggregate term loans of SFCs. This therefore calls for further supports in terms of collateral free term loans, providing of working capital with lesser equity margin along with easier and more cheap provisions of the present specialized support services as provided by SIDBI under its Project Financing. At its present terms and conditions, SIDBI’s aggregate disbursements under Project Related Financing which accounted for 75.2% of the sanctions in 1999-2000, has come down to as low as 49.2% in 2002-03. This to a greater extent shows how even SIDBI has failed to encourage SSIs. In fact only SIDBI’s disbursements for SSI’s exports (through its two schemes, namely Preshipment Credit and Export Bills Financing) acclaimed happier notes with 81% to 90% of disbursements. Except for exports, during these years SIDBI’s disbursements with regard to Infrastructure Development (IDs) and Marketing Assistance have marked sharp fall.
(b) The Product Market

The product market and its marketing is another critical issue for SSIs that enclaves many other severe dimensions, like technology up gradation, product standardization, buoyancy in consumer choice, price affectivity and cost effectiveness, interlinkages in between the large, medium and small scale industries, etc. Thus, adopting a comprehensive approach towards conspectus on SSI’s marketing predicament, there appears the need to formulate a Central Marketing Plan, consolidating it on the basis of broad product-group-based strategies to be applicable to each states. To enter and have recognition under the levels of classified product-groups, the SSIs will be required to acquire common brand levels, common product standardization, common market research facilities, common market informations, common levels of technology, etc. under the Central Marketing Plan. It is only then a Central Marketing Plan will be in a position to extend an unified brand product-based strategy, forming a club of SSI sector under its umbrella, and will be successful in ensuring the multi-dimensional issues related to its marketing.

(c) Inter-linkages

It is high time that SSI sector should be re-oriented at least at a modest level to establish some higher degree of stimulative inter-linkages inbetween the large, medium, small and the tiny ones, so as to ascertain ancillarisation in the vertical set-up of industrial sector. From bottom to the top, each acting as a auxiliary of its upper, would not only strengthen the each sectors of the industrial sector, but also will standardize the sub-sectors through better R&D, job-specific up gradation of technology, quality products, price-cost effectivity, etc. Experiences can be learnt from the development
models of Korea, Japan and Singapore in this respect, where the basis of such relationship is not by force but by economic advantages and specializations. Understandably, not the entire industrial sector can be brought under such an umbrella. Yet, certainly sector specific higher degree of correlations can be acquired while establishing inter-linkages in such cases as engineering, automobiles, electronics, and electrical appliances, textile and garments, agro-based food products, and pharmaceutical industry.

(d) Technology Up gradation and Marketing Techniques

We may recall that contrary to its production and employment, SSI’s exports are marked to be picking up during the post-liberalisation period. In 2002-03, the SSIs (which come under modern VSI-sector) contributed 78.36% of total VSI’s exports. Next to it was the share of Handicrafts (traditional VSI) with 10.41% and that of Power looms (modern VSI) with 6.56%. The domination of modern VSI sector’s exports is authenticated by the fact that in 2002-03, it accounted for 84.62% of VSI’s total exports, and the rest of 15.38% was extended by traditional VSI sector. Despite of such encouraging performances by SSIs, the fact remains that it needs to be updated from the point of view of both technology up gradation and modern marketing techniques so as to make its products more price-effective and standard-specific to face international competition. Indeed it may not be feasible to update entire SSI sector from this point of view, yet certainly the principal legatee of Uruguay Round of GATT are textiles, garments, food and agro-products, along with some other products like leather and leather products including shoes, manufacture of tools used in agriculture, horticulture, forestry and carpentry, manufacture of vegetable oils and fats, manufacture of
electricity distribution and control apparatus, rubber products, general hardware products, etc. which not only occupy reasonably major export activities of SSI sector with promising future, but also carry the dynamics to absorb higher scales of technological modernization and advanced marketing techniques, need exclusive incentive-based attention from the government.

It goes beyond any doubt that the modern VSI sector needs technology upgradation and modernization, as future of its product and market performance are intrinsically based on technology. Ever since India’s planning era, the Government of India (GOI) has been extending different levels of efforts to modernize production technique not only of its large industrial units but also of the small ones. The Ford Foundation Team (visited in 1953-54) strongly recommended establishment of regional institutes of technology for small enterprises and thereby four Regional Small Industries Services Institutes were established (1954). It was just the beginning and since then different accords are marked in this respect over the time span. Its intensity was greatly felt especially since 1991 and onwards with higher levels of market competitions during the post-liberalisation period. In brief, GoI in its endeavour in this respect has set up a chain of institutional frame-work for providing financial assistance for technology upgradation and modernization of SSIs. These are, namely, Industrial Finance Corporation of India (IFCI), 1948; State Financial Corporations (SFCs), 1951; Industrial Credit and Investment Corporation of India (ICICI), 1955; National Small Industry Corporation(NSIC), 1055; State Small Industries Development Corporation (SSIDC), 1956; Industrial Development Bank of India (IDBI), 1064; Small Industrial Development Bank of India (SIDBI), 1990.
Finally, at this juncture, we would conclude by stating that impact of economic reforms has lots to say on SSI sector. Collectively for the above discussed reasons, it goes beyond doubt that the SSIs may fail to grow much further by itself. Being a priority area, if its growth momentum is to be sustained, full potential thrust must be provided by the government.

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.

1.1 LITERATURE REVIEW

(1) Dhanasekaran, K. (1990) stressed for the backward and forward linkages in a regional planning for rural development, and for which better co-ordination in between the Centre and the local level organization along with participation of the rural poor is desired.

(2) Kaveri, V.S. (1990) viewed the importance of the SSI sector generating employment next to agriculture and exporting one-fourth of India’s exports. In this regard, technical consultancy services extended by financial institutions to SSIs is being highlighted.

(3) Patnaik, V.C. (1990) upheld the strategic unique position of SSI sector in Indian economy in fulfilling the socio-economic objective of Indian economy
of providing larger employment with limited investment, equitable distribution of wealth and solving the problem of regional economic disparities. He marked that the VSI sector is accounting for 45% of total industrial production, 30% of country’s exports and 66% of total employment in the manufacturing sector.

(4) Pushdham, P. (1990) stressed for the need to start technical education at the school level through vocational training, as a permanent solution to the problem of rural unemployment.

(5) Rao, B.A. (1990) stressed the need to divide the VSI sector into two categories, namely the traditional VSI sector, using traditional skills and techniques, and the modern VSI sector using higher levels of technology.

(6) Singh, S.N. (1990) in his study (Kanpur) found that in terms of employment, traditional leather industry alone recorded significant rise; whereas in terms of production, the non-traditional goods are marked to be rising.

(7) Subbaraman, K.R. (1991) appears to carry much ethical values for the VSI’s products. To him, unemployment breeds poverty and it can be eradicated by spreading the network of village industries in every nook and corner of the country. Village industry products have certain permanent values that adds to social justice. It is like a new born child in a poor family and should not face disabilities due to poverty.

(8) Goyal, A. (1991) observed new trends in Indian Corporate sector in general and SSI sector in particular. He drew attention towards the sub-contracting phenomenon that was expanding fast. This consequently help to establish
inter-linkages inbetween the large, medium and the small ones and promotes ancillarisation under a healthy competition.

(9) Raman, C.S. (1991) focusing on the multiple objectives of SSI sector, viewed the gravity of the problem of optimal use of scarce resources arising out of socio-economic dualistic structure of Indian economy, in the process of development of modern SSIs.

(10) Adiseshiah, S.M. (1992) stressed the importance of small and cottage industry in India’s industrial development, contributing about 50% of gross value of output of manufacturing sector. These industries also create immediate and permanent employment on a large scale at a relatively small costs, ensuring equitable distribution of national income and helps decentralization to raise standard of the people.

(11) Adiseshiah, S.M. (1993) recalled Gandhi emphasizing that the role of cottage industry as the only way of doing away with tenury and making of famine of work and wealth impossible. A vast country like India, with her millions of people having four months of enforced idleness on their hand could not afford to have large scale industries and yet live a life of tolerable comfort. Mechanisation is good when the hands are too few for work intended to be accomplished. It is an evil when there are more hands than required for the work, as in the case for India.

(12) Gharpurs, Y.H. (1993) was of the opinion that new industrial policy will bring bright prospects for entrepreneurs if implemented in its spirit. He welcomed the decontrol of molasses and said that the alcohol industry had not grown in the country because of series of control.
(13) Kochhar, J.S. (1993) stated that import of capital goods (of which machinery and transport equipments are major segments) serves twin purpose. While it serves the immediate need of augmenting indigenous capacity to produce consumer goods which may otherwise face a shortfall, it also leads to technological upgradation in the long run.

(14) Nayak, P.R. (1993) as the Chairman of the Committee on SSI (1992) observed that the SSI sector received a level of working capital which was only 8.1% of its output. Village and tiny ones could get only 2.7%. The Committee thereby suggested that the SSIs, having credit limit of not more than one lakh rupees, should have the first claim on priority sector credit to SSI. Consequently, RVI introduced a special package for SSI sector. Its salient features were (i) Banks were to draw credit budgets on bottom up basis ensuring credit flow to meet the requirements of SSI sector. (ii) Working capital limits upto Rs. 50 lakh, computed on the basis of 20% of projected annual turnover, will be provided. (iii) Definition of a sick SSI unit was modified to arrest the problem of sickness in SSI sector. (iv) Redressal of grievances of SSI units were to be met by setting up of an institutional framework.

(15) Pathak, P. (1993) was of the opinion that policy of industrialization of backward areas has missed the angle of employment of local people. There is still need for use of local resources and local markets. He suggested that rural industrialization has to be linked up with each and all industrialization process.

(16) Sanjay Kumar (1993) viewed that market promotion of SSIs could be ensured by co-operatives, public sector institutions, other specialized professional marketing agencies and censortia approach backed up by incentives.
(17) Sarkar, S.B. (1993) cautioned that contribution of SSI sector in terms of production, exports and employment is too weighty to be treated in a casual manner. To him, it may not be enough to remove procedural hurdles, ensure availability of raw materials at reasonable prices and meet the credit needs of SSIs, unless they are adequately modernized.

(18) Das Gupta, M.K. (1994) called for better inventory management of SSI units. They should pursue with suppliers, for extending their terms of payments which helps. Such arrangement should be made ahead of time when additional credit will be needed. Similarly, customers can often also be persuaded to finance a large order, ensure part-payment with the order, or also through progressive payment as job proceeds. A better inventory management, leading to Just-in-Time system of management of inventory, would release a substantial amount of funds to the SSI units for utilization in higher yielding avenues.

(19) Kulkarni, B.F. (1994) discussed some controvertial issues related to SSIs, such as ownership and control, subsidiary, control management, brand names etc.

(20) Sarngadharan, M. (1994) in his study of SSIs in Trivandrum district, observed under-utilisation of production capacity, and attributed competition from large scale firms and even from similar SSI units in the local area for such under-utilisation. Further, lack of demand for the product and shortage of finance were also the crucial problems for these SSI units.

(21) Saramma, A.D. (1995) viewed that the New Industrial Policy has resulted into retrenchment of work force under exit policy. It is inevitable under the banner of voluntary retirement in public sector units and closing down of sick units in
private sector, will result into hither unemployment and high incidence of poverty. The social-net schemes are not cost-effective and only decrease the welfare of the voluntarily retired workers.

(22) Singh, S.K. (1996) stressed that foreign investment should not only be directed to sectors with high linkages, but these linkages should also be reaped by India, while special emphasis should be given for foreign investments in high skilled and high technology oriented services sectors.

(23) Ganesh (1997) observed that Foreign Direct Investments (FDI) will have selective focus on certain sectors. This will add to existing dominance in few industrial units like automobiles, office and household equipments. In other several sectors viz. metallurgical industries, textiles, cement, chemicals, paper and sugar, Indian firms dominate. Foreign firms will compete in sectors like engineering goods, drugs, pharmaceuticals and electrical equipments. The net effect will be to increase areas of dominance. In most cases, Indian firms will either dominate or face competition either externally or internally. India should encourage the FDI only in those sectors which would significantly contribute to income generation, employment creation and net export earnings.

(24) Panchmukhi, V.R. (1997) pointed out that India had accepted the theme of mixed economy in which State, Planning and Market function in a framework of mutual harmony and concordance. The present exercise of privatizing even the profit making public sector is not warranted because privatization is only a modality for improving efficiency in resource use and resource allocation. By no means, selling a few scripts of public sector to the people at large, does not at all mean privatization. For truly effective privatization, and to avoid
industrial sickness, the weakness of corporate management both in public and private sectors need to be addressed.

(25) Prasad, A.K. (1997) raised the issue that no doubt, by economic liberalization the Indian companies had the benefit of upgraded technology, marketing and management inputs, apart from additional capital injection and increased employment, yet a certain degree of caution is needed by India in case of foreign investment.

(26) Chadha, V. (1999) analysed how the liberal measures for stimulating the inflow of foreign MNCs and investments have proved to be of much less consequence for our industrial development, as compared with domestic industrial liberalization. Such inflow has done pretty little to prop the Indian industry, rather has adversely affected industrial production and exports. He thereby strongly recommends that the Government should seriously concentrate on domestic industrial sector reforms, rather than those on global or external front.

(27) Sethi, C. and Raikhy, P.S. (1999) evaluating impact of liberalization on industrial growth, marked it as mixed blessings and hold that despite of increase in import intensity, export performance has not improved. Second, Indian industry has yet not been reflected by capital efficiency, which is rather capital deepening. Third, foreign collaborations and FDI in India have to be channelised in desirable directions. Rather than allowing FDI to enter consumer goods sector, it should be encouraged to enter infrastructure sector, especially the power sector, so that the industrial base of the country is strengthened further.
Narta, S.S. and Sharma, D. (1999) discussed with evidences how India’s industrial sector has grown up slowly in the post-liberalisation scenario. The reforms opened up windows for investments and foreign collaborations for technological advancements, etc. Yet on the contrary, liberalization measures favouring globalization have not shown any direct impact on employment generation in industrial sector during post-liberalisation, although reforms have been introduced to protect SSI sector of the country in view of the social, cultural, employment and other advantages of production. He concludes by stating that the liberalization will be a success if it can cater to the subsistence needs of the masses by providing employment in addition to economic growth and expanding production.

Ansari, S.A. (1999) acknowledged that among other factors, infrastructure bottleneck is the most important factor adversely affecting industrial growth. Adequate measures to increase investment in infrastructure facilities are essential because rate of growth of infrastructure sector has been consistently lower than that of the manufacturing sector. As a result, the mismatch between the availability of infrastructure and its requirement is widening. Therefore, while giving market-orientation, state is still required to play an important role in developing infrastructural facilities by undertaking direct investments for high and sustained growth of the industrial sector. In World Development Report, 1997, it is also recognized that the State is a necessary part of the process of development and market forces alone are not enough.

Singh, B.N. and Ahmad, S.M.H. (1999) evaluated structural transformation of Indian industry and marked the most striking feature of such transformation in
favour of the basic and capital goods sector in which growth rate was higher in comparison to consumer goods sector. They attributed the slower growth of consumer goods sector as the major factor for unhealthy trend of country’s industrial growth, other factors being inadequate fresh capacity generation, lack of infrastructure, interest pushed high cost economy. They further maintained that in order to give a ‘big push’ to the economy, much emphasis was placed on large scale, basic and heavy industries which lacked coordination with small scale industries. Despite SSI sector contributing about 40% of gross output of manufacturing sector, 45% of manufacturing exports and 34% of country’s total exports in 1996-97, this dynamic and vibrant sector of the economy has still been suffering from several problems and they require urgent solution.

(31) Malhotra, N. (1999) held that there is a close and two-way relationship between trade and structural changes. The correction of structural disequilibrium is a common ingredient of trade policies, particularly those of third world countries. However, correct direction of structural changes also depends significantly on trade policies. Based on her analysis on the interaction between structural changes in industrial production and imports, she found that in general, the share of consumer goods industries in total production has declined. The share of intermediates (comprising basic industrial chemicals including fertilizers, products of petroleum and coal, electrical machinery) have sharply increased. However, the capital goods sector is relatively growing at slow pace. She thus finally remarked significant changes with diversification in industrial sector over time and import
concentration in few sectors like petroleum products, basic industrial chemicals including fertilizers and non-electrical machinery.

Sunil Kumar (1999) incorporated log-linear regression analysis to account for the growth of labour and capital productivity over three defined periods (pre, mid and intensive liberalization). The empirical results highlight that the deregulatory measures introduced in early 1980s accelerated the growth of labour productivity in the manufacturing sector at the national level during 1980-81 to 1990-91 (mid-phase), but the intensive phase (1991-95) could only just maintain this level without any further growth despite of higher deregulations. Similar to this trend, was the trend of capital intensity in the manufacturing sector. The results thus confirms that increase in labour productivity was caused by the injection of high doses of capital through various promotional incentives under modernization programme instead of improvement in factor efficiency of manufacturing sector itself. With regard to capital productivity of the manufacturing sector at national aggregate level, its secular downward trend could only be arrested during 1991-95.

The author also obtained some interesting results for the industrially developed states. While U.P., West Bengal, A.P., Gujarat and Maharashtra were the top 5 highest capital intensity states; yet their capital productivity except for Gujarat and Maharashtra which marked positive growth, U.P., West Bengal and A.P. marked negative growth rate of capital productivity in their manufacturing sector during 1991-95.

In the light of empirical results, the author concludes that a need arises to restructure the liberalization programme, as the use of capital-intensive
techniques broadly brought inefficiencies in the use of factor production. Therefore, use of appropriate technology and optimum allocation of resources become a requisite to enhance efficiency and economies of scale.

(33) Kaur Kuldip (1999) analysed impact of liberalization on mobility of firms. Based on the time series data for 123 firms over the period 1985-94, under four major industry groups, namely (i) Chemical, dyes and pharmaceuticals, (ii) Textile industry, (iii) Engineering industry, and (iv) Metal alloys and metal products industry. Based on her analysis, the author concluded that the firms have increased their size manifold in terms of total assets, fixed assets and net sales in the post-liberalisation period. Yet, their compound growth rates marked either little or no improvement. The author maintained that though favourable demand conditions and the spurt in investment show that industrial growth rate may increase, but the industrial sector is yet to respond with full vigour to liberalization measures. She ultimately calls for further reforms to remove existing procedural and operational constraints and to exclusively better forward and backward linkages within production sectors and also within factor and consumer markets.

(34) Batalvi, Puja (1999) evaluating foreign technology policy scenario over the pre- and post-liberalisation period marked that over the pre-liberalisation period, government recognized the importance of foreign capital, specially in the field of technology in a restricted way that did hinder technological progress of our country. Thus, India’s economic policies had a clear anti-FDI bias in comparative terms. This attitude of government towards foreign investment changed after the occurrence of economic crisis that overtook India
by 1990-91. Government started welcoming foreign direct investment to overcome short-term crisis of adverse balance of payments and inadequacy of foreign exchange resources, medium-term crisis of resource-crunch, and long-term crisis of slower industrial growth. The author marked increasing trends of Foreign Technical Collaboration (FTCs) and FDI. About 49% of FDI went to core and infrastructure sector, about 13% in capital goods and machinery sector and consumer goods sector received about 15% of total inflow of FDI in the country. Further, quite interestingly, it was also marked that FTC approvals were the highest in numbers for capital goods and machinery sector, followed by the numbers of FTCs in consumer goods sector, and then in core and infrastructure.

(Kaur, Inderpal (1999) in her analysis of role of Small Scale Industry (SSI) in new economic policy regime, states that policy for SSI can be passive, protective, and developmental. For a dynamic economy, developmental approach is the most desirable one, as its approach is not to preserve the traditional, primitive and outmoded units, but to transform and modernize them to grow and gain competitiveness. In this regard, the role of promotional agencies are important. The promotional agencies form an essential and integral part of development policy for SSI. The promotional agencies encourage the growth of small scale enterprises; whereas the protective measures (like reservation, concession and benefits) rather encourage SSI units to remain small than to transform itself to a larger size over a period of time. To that extent protective measures act as a hindrance for the realization of ‘dynamism’ of SSI. The government policy should be to help SSI units to
upgrade technology, improve productivity and remain competitive in the market. Thus, the promotional agencies should be given thrust in this direction.

(36) Sunil Kumar and Singh, Parminder (1999) discussed some major challenges for SSI sector emerged during India’s liberalized regime, where it faces a threat for its survival in the midst of fierce national and global competition on account of inadequate linkages between small and large enterprises, outdated technologies, poor quality of products, inadequate access to institutional credit, growing sickness of SSI sector resulting into employment loss, etc. They stressed for the flow of institutional finance for meeting term credit and working capital requirements of SSIs, to give impetus to SSI sector. In this regard they held that the role of SIDBI needs to be widened as per Nayak Committee’s recommendations. Further, upgradation of technology is inevitable for improving global competitiveness and SSI sector needs to be modernized technologically. The linkages between large and the small units are required to be strengthened through effective implementation of ancillarisation programme. Such interlinkage should encourage not by force but on the basis of economic advantage which forms the basis of model of development in Republic of Korea and Japan. On export front, technology upgradation is also necessary on the beneficiary sectors of GATT Accord, namely textiles, garments, food and agro-products and suggest for further technological modernization on a selective product basis. The authors also called for government support to sick units by providing an access to power, inputs and cheaper credit to do away with their financial difficulties.
Chadha, Vikram and Chadha Neeru (1999) in their analysis of financing technological modernization of Small Scale Industrial Sector in the context of post-liberalisation, observed that the SSI sector dominates industrial manufacturing scene in India. Yet it is afflicted with crippling problem of technological backwardness that has constrained the sector to modernize. Technological modernization happens to be a most expensive preposition, particularly for small entrepreneurs and requires ample financial and technical support from government agencies and other financial institutions. Small manufacturers may be reluctant to raise equity finance for technological modernization and other term-capital requirements of small units, the problem can be circumvented. Venture Capital Finance has been successfully utilized in Britain. If government supports schemes, e.g. loan guarantee scheme as in U.K. where government guarantees 70 – 80% repayments to the Financial Institutions, the FIs and the banks will be more than willing. Thus, in order to provide adequate finance for technological modernization of the SSIs, the FIs must develop and consolidate venture capital finance to participate in the equity capital of SSI units.

1.2 Literature Review Based Acquired Knowledge

Based on the review of literature, the knowledge acquired is summarized as follows:

- Contribution of SSI sector is too weighty to be treated in a casual manner, as SSI sector accounts 45% of industrial production, 34% of country’s exports and 66% of country’s employment in India.
• Strategic importance of SSI sector can be viewed with fulfillment of multiple socio-economic objectives, prominently as generation of income, creation of employment and orientation of production and exports with the use of resources at local level and helps decentralization to raise standard of people.

• With the policy of liberalization, it was expected that import of capital goods and transport equipment will serve the twin purpose, augmenting indigenous capacity of consumer goods sector and technological upgradation in the long run. However, over the post-liberalisation period, the share of consumer goods industry declined in total industrial production. The share of intermediates had sharply increased. Capital goods sector is growing relatively at a slow pace.

• Deregulation measures introduced in early 80s initially accelerated the growth of labour productivity (1980-91), but the growth rate could only be maintained (without any further increase) despite of higher deregulations (1990-95). Similar to this was the trend of capital intensity. Yet, the secular downward trend in capital productivity in manufacturing sector could only be arrested during 1990-95.

• Success of liberalization policy can be viewed if it gets success to cater the subsistence needs of the masses by providing employment in addition to economic growth and expanding production. Sadly, on the contrary, liberalization measures have not shown any direct impact on employment generation in industrial sector. Rather, country’s new Industrial Policy (1991) demarcated retrenchment of work force under exit policy. Further, VRS in public sector units and closing down of sick units in private sector resulted into higher unemployment and incidence of poverty. Prof. V.R. Panchmukhi’s
opinion in this regard is that the present exercise of privatization of even profit making PSUs is not warranted. He pointed out that by no means selling of scripts of public sector to the people at large, does not at all mean privatization. In fact, the weakness of corporate management both in public and private sectors need to be addressed.

- Over the post-liberalisation period, mobility of firms in terms of compound growth rates of total assets, fixed assets and net sales declined. The industrial sector is yet to respond with full vigour to the liberalization measures. It remained a fact that market forces alone can not ensure development, and that State is a necessary part of development.

- Major challenges for SSI sector emerged during India’s liberalized regime are that it faces a threat for its survival in the midst of fierce national and global competition on account of inadequate linkages between small and large enterprises, outdated technologies, poor quality of products, inadequate access to institutional credit and working capital requirements of SSIs, to give impetus to the sector. Upgradation of technology is inevitable for improving upon global competitiveness and the SSI sector needs to be modernized technologically. The linkages between large and small units are required to be strengthened through effective implementation of ancilliarisation programme.

- The SSI sector which dominates industrial manufacturing scene in India, is afflicted with crippling problem of technological backwardness that has constrained it to modernize. However, technological modernization happens to be a most expensive proposition, particularly for small entrepreneurs and requires ample financial and technical support from government agencies and
other financial institutions. If the financial institutions assume the role of venture capitalist to participate in the equity capital of SSI units, the problem can be circumvented.

1.3 IDENTIFICATION OF SSI IN INDIA

In order to develop a boundary under which the basic requirements of SSI sector such as, credit dispensation, technology upgradation, infrastructural support, entrepreneurship development, export credit etc. could be extended, it was felt obligatory to specify the different distinct emblematic definitions of SSI units, as termed under the Industries (Development and Regulation) Act, 1951. In this respect, table 1-3 provides the changing norms of definitions of SSI from time to time.

At the offset, it may be mentioned here that the term ‘Small Scale Industry’ (SSI) summons discriminatory horizons in the treatment by different agencies. For instance:

► The Planning Commission, Government of India, contemplates the entire Village and Small Industries (VSI) sector as SSI sector.
► The National Sample Survey Organisation, under GoI’s Central Statistical Organisation (CSO), takes into account the entire industrial sector within the bounds of Organised and Unorganised sectors, and also as industrial enterprises run by Households and non-households.
► Central Excise Department recognizes the identity of SSIs on the basis of annual turnover of individual units. This is however quite harmful for the SSIs in the sense that the SSIs are often discouraged to raise their
turnover through technological upgradation as they will then not be in a position to avail excise incentives extended to the lower slabs.

► Reserve Bank of India (RBI) embraces an enlarged definition of SSIs to include both traditional and non-traditional (or modern) industries.

► Government of India (GoI) has been incorporating periodic revisions in the definition of SSI (table 1-3) on the basis of investments in Plant & Machinery since 1966. Prior to 1966, since 1950 it was in terms of group investments in fixed assets, as well as in terms of work-force employed. However, employment condition was dropped in 1960.

In 1950, the first formal definition of SSI was honoured, circumscribing it within the bounds of gross investment in fixed assets (plant & machinery, land, building etc.) together with force of per day manpower in accordance with and without use of power. Apparently, the first major departure was marked in 1960, when employment-based condition was dropped from the definition of SSI, confining it only to investment-based condition. The second major modification was annexation of the concept of ancillary units. The next major redressal was imprinted in 1966, when the cannon of investment in plant and machinery was replaced by the criteria of original amount (value) invested in Plant & Machinery. Over the subsequent years, some other associated concepts were introduced. For instance, the concept of Tiny Units in 1977, the concept of SSSE units in 1985. The year 1991 marked four more significant modifications, (i) the location specific condition which was introduced in 1977 was dropped, 9ii0 the SSSE classification was suspended and re-defined as SSSBE, (iii) the concept of EOU was introduced, and the most marking modification was (iv) uplifting the limit of
investment in SSI from Rs. 3.5 million (1985) to Rs. 6 million. This limit was further encouraged as high as to Rs. 30 million in 1997, but curtailed down to Rs. 10 million in 1999. As a note of remark, it may be mentioned here that at the international level, the size of a unit in most of the countries is ascertained either by the number of work-force employed and/or by a criteria to appraise assets, and almost all of the countries form a club termed as Small and medium Enterprises (SMEs). The SMEs continue to enact an appreciating function in the industrial growth of both developing and developed countries.

1.4 COMPOSITION OF SSI SECTOR

The SSI sector in India can widely be viewed under the composition-tree of the manufacturing sector as:
Kindly

Skip This Page
1.4.1 Manufacturing Sector Composition

Encompassment of industrial sector in India is generally apportioned into three major components, namely (i) Factory sector of Large Scale Units, which are non-SSIs, (ii) Factory sector of Small Scale Units, and (iii) the Village & Small Industry Sector (VSI), which comes under non-factory sector.

1.4.2 Organised & Unorganised Sector Composition

Grouping of units in the Organised and Unorganised sector is on the basis of norm of reckoning employment along with the use or non-use of electric power. The Factory sector units, i.e. units which are registered under the Factory Act, 1948 are basically classified as organized Sector Units. The rest of other units which are not encompassed by the Factory Act, are termed as Un-organised Sector Units. Thus, as a matter of our concern, typically the SSIs come under the organized sector, whereas the VSI sector composition extends more transparency.

1.4.3 VSI Sector Composition

The Village & Small Industry (VSI) sector is disjuncted into two clear sub-sectors, namely the Modern SSIs and the Traditional SSIs. Modern SSI enclaves (i) all
SSIs, and (ii) power looms. The Traditional sector encompass (i) Khadi & Village Industry, (ii) Handlooms, (iii) Sericulture, (iv) Handicrafts, and (v) Coir. Thus, on its very appearance it gets clear that in relation to the traditional sector, the modern SSI sector uses more of power and advanced technology as its mode of production, whereas the traditional industries are more labour-intensive.

1.5 INSTITUTIONAL SUPPORT STRUCTURE

1.5.1 Ministry of SSI & ARI

Creation of a separate Ministry of Small Scale Industries (SSI) and Agro Rural Industries (ARI) in 1999 was definitely a prominent step on the part of the Government emphasizing its commitment towards the sector. Prior to this, it was a department of SSI & ARI, which was attached to the Industry Ministry of GoI in 1990. The new ministry is created under the Minister of State with an independent charge so as to ascertain full attention on the promotion and development of the SSI sector. Established since 1964, the Small Scale Industries Board continues to be the apex advisory body for policy coordination and other concerned promotional and developmental issues of the sector. (*For Notes on SSI Sector, see Appendix – One: Introductory Notes*).
1.5.2 Central Frame-up of SSI Sector

Small Industries Development Organisation (SIDO) which happens to be the office of the Development Commissioner (SSI), attached to the Ministry of SSI & ARI, is the nodal implementing agency of Central Government policies towards corroboration of conducive function of the SSI sector. The main enactment of SIDO is to unfold all India based SSI oriented policies and programmes and also to coordinate the policy programmes with State Governments, R.B.I. and other financial institutions at different levels. In the Backdrop of increasing competition through growing internationalization and WTO-oriented challenges, a WTO-cell was constituted in the office of DC (SSI). Likewise, SIDBI in its market research studies also engaged similar activities by identifying 16 sub-sectors of SSI sector for assessing the impact of WTO on their performance and prospects (in 2001-02). In its second phase of such study, SIDBI incorporated it on three more sub-sectors in 2002-03. Alongwith SIDO and SIDBI, statutory Commissions and Boards like KVIC, Coir Board, Silk Board, etc. are also engaged at the Central-level in scanning the promotional and developmental affairs of concerned areas of SSI sector.

1.5.3 State-level Frame-up of SSI Sector

At the State level, the Commissioner/Directorate of Industries enact the State-specific policies for promotion and development of entire state’s industrial sector including the small scale sector. At the apex level, Central policies servitude a broad guiding force, whereas each State ministers its own policy and package of incentives in
accordance with the broad guidelines of the Centre. Under the dominion of State Directorate of Industries, there are field offices, viz. District Industrial Centres (DICs). These DICs extend support services to industries at almost all districts in the country. There are some other major corporations at state level. These are, State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs), Small Scale Industries Development Corporations (SSIDCs), Technical Consultancy Organisation (TCO), State Export Corporation (SEC), State Cooperative Bank, Regional Rural Bank, etc.

Institutional support structure for SSI sector is being depicted over the chart.
1.6 CREDIT REQUISITES & FINANCIAL SUPPORT STRUCTURE

1.6.1 Credit Requisites of SSI Sector

Credit requisitions of SSI are predicated by long-term credits and working capital. The growing intensity of these two forms of credit requirements can be illustrated by the recent Plan estimates. For instance, the Ninth Plan (1997-2002) had estimated Rs. 345 to 365,000 crore of long-term credit and Rs. 1420 – 1460,000 crore of working capital. The problem was while the long-term credit requirement was nearly met, but the working capital requirement remained to be fulfilled. Similarly, in order to enable the SSI sector to achieve the high levels of targets set forward in the Tenth Plan, it is estimated that credit requisites of Rs. 63,000 crore as long term credit and Rs. 1,23,000 crore as working capital requirements by the terminal year of the Tenth Plan (2002-2007). Here too, while SIDBI alone is estimated to meet at least two-third of long-term credit requisites, the rest requirements and that of the working capital remains quite uncertainly uncovered. Thus, this responsibility is likely to be shared by other financial institutions and banks.

In the backdrop of WTO regime and the process of globalization, GoI has implemented a series of policy measures, opening up new vistas of growth for the SSI sector. In order to formulate appropriate strategies of sustainable growth of the SSI sector during the Tenth Plan, a working group on SSI sector was constituted by the Planning Commission, GoI. In its report, the group has laid emphasis on enhancing the
flow of credit to the SSI sector, providing suitable incentives for Technology Upgradation, Marketing and creation of Small Industries Development Fund. Certainly, 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. Financing the credit requisites of SSI sector at lower cost is bound to be the focus area that necessarily be comprehended by Financial Institutions and Banks.

1.6.2 Financial Frame-up of SSI Sector

Leading National and State level institutions are effective in the country, engaged in financing of credit requisites of the SSI sector. These encompass SIDBI, Commercial Banks, Regional Rural Banks, Cooperative Banks, State Financial Corporations, State Industrial Development Corporations, State Small Industries Development Corporations.

Corporations like SIDBI, NABARD, KVIC, NEDFi are of the nature of all-India principal financing institutions for financing developmental activities of SSI sector, delivering financial assistance to the sector in the form of both direct finance and indirectly by refinancing the loans given by banks, SFCs and other such agencies. SFCs, SIDCs, SSIDCs and SIICs are the corporations which operate at the State-level, extending long-term credit to the SSI sector.

In the event of the opening up of the economy and the followed up financial sector reforms, credit dispensation strategy and its modulus is experiencing transcendental transfiguration. Commercial banks with their comprehensive web of branches functioning across the country are the primary channels for Working Capital
finance needed by the SSI sector. With liberalization, a chain of new private sector banks have come up in the economy. These banks have not only impregnated competition in the banking sector, but also helped in intensifying the flow of credit to variety of sectors in the economy. In such effort, the SSI sector continues to be a priority sector in both public and private sector bank’s credit dispensation.

1.6.3 Committees on Credit Requisites of SSIs

Over a span of thirty years, sundry of committees and working groups were ordained to uplift and amend the flow of credit to the SSI sector. These are:

- Study Group to Frame Guidelines for Follow-up of Bank Credit (Tandon Committee, 1974).
- Working Group to Review the System of Cash Credit (Core Committee, 1979).
- Committee to Examine the Adequacy of Institutional Credit to the SSI sector and Related Aspects (Nayak Committee, 1992).
- Expert Committee on Small Enterprises (Abid Hussain Committee, 1997).
- High Level Committee on Credit to SSIs (S.L. Kapur Committee, 1998).
- Committee on Banking Sector Reforms (Narsimham Committee-II, 1998).
- Working Group on Harmonising the Role of DFIs and Banks (Khan Working Group, 1998).
A number of prominent Working Groups appointed by R.B.I. and other financial institutions during 1998-2000 are:

- Technical Committee on State Government Guarantees, set up by RBI.
- Working Group on Restructuring Weak Public Sector Banks (Verma Working Group), set up by RBI.
- Working Group on Developing Capital Markets for SSI sector, set up by SIDBI.
- Task Force on Supportive Policy and Regulatory Framework for Micro Finance in India, set up by NABARD.

1.6.4 Finance & Specialized Support Services

As per apex development financial institution for SSI sector in the country, SIDBI conducts its Promotional and Development (P&D) initiative to improve the efficiency and competitiveness of the sector. Support is being extended to various agencies in conducting structured programmes for the purpose. Special emphasis is given on employment generation and livelihood promotion of the poor by encouraging them to undertake income generating activities enterprise promotion and self-employment ventures.

Financial and other Specialized Support Services to SSIs can be overviewed by the support-specific network of its providers as depicted over the chart 1/6/4 which is quite self-explanatory:
### CHART 1/6/4: PROVIDERS OF FINANCE & SPECIALISED SUPPORT SERVICES

<table>
<thead>
<tr>
<th>FINANCE</th>
<th>TECHNOLOGY UPGRADATION</th>
<th>INDUSTRIAL INFRASTRUCTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SIDBI (Apex)</td>
<td>1. NSIC</td>
<td>1. SSIDCs</td>
</tr>
<tr>
<td>2. Banks</td>
<td>2. SIDO</td>
<td>2. SIDCs</td>
</tr>
<tr>
<td>3. State Level Corporations</td>
<td>3. SISIs</td>
<td>3. HUDCO</td>
</tr>
<tr>
<td>4. Others like NABARD, NSIC, NRDFI</td>
<td>4. RTCs</td>
<td>-</td>
</tr>
<tr>
<td>- -</td>
<td>5. PPDCs</td>
<td>-</td>
</tr>
<tr>
<td>- -</td>
<td>6. TBSC</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKETING</th>
<th>TECHNICAL TRAINNING</th>
<th>INDUSTRIAL INPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SIDO</td>
<td>1. SIDO</td>
<td>1. SIDO</td>
</tr>
<tr>
<td>2. NSIC</td>
<td>2. SISIs</td>
<td>2. SSIDCs</td>
</tr>
<tr>
<td>3. SSIDCs</td>
<td>3. TCOs</td>
<td>DICs</td>
</tr>
<tr>
<td>4. SISIs</td>
<td>PPDCs</td>
<td>-</td>
</tr>
<tr>
<td>5. EPCs</td>
<td>5. DICs</td>
<td>-</td>
</tr>
<tr>
<td>6. SECs</td>
<td>6. RTCs</td>
<td>-</td>
</tr>
<tr>
<td>- -</td>
<td>7. CFTIs</td>
<td>-</td>
</tr>
<tr>
<td>- -</td>
<td>8. Tool Rooms</td>
<td>-</td>
</tr>
</tbody>
</table>

| ENTREPRENEUR DEVELOPMENT             | - -                    | - -                       |
| 1. SIDOs                             | - -                    | - -                       |
| 2. ED II | - | - |
| 3. NIESBUD | - | - |
| 4. EDIs | - | - |
| 5. SISIs | - | - |
| 6. Specialized Institutes | - | - |

**Abbreviations:**

1. CFTIs: Central Footwear Training Institutes
2. DIs: Directorate of Industries
3. DICs: District Industries Centres
4. EDIs: Entrepreneurship Development Institutes
5. EDIIs:
6. EPCs:
7. HUDCO:
8. NIESBUD:
10. PPDCs: Product-cum-Process Dev. Corporation
11. RTCs: Regional testing Centres
12. SECs:
13. SFCs: State Financial Corporations
14. SIDBI: Small Industries Devel. Bank of India
15. SIDCs: State Industrial Development Corp.
16. SIIC: State Industrial Investment Corp.
17. SISIs: State Industry Service Institute
18. SSIDCs: State Small Industries Devel. Corp.

19. TBSE:

20. TCOs: Technical Consultancy Organisation


22. NABARD: National Bank for Agriculture and Rural Development

23. NEDFi: North Eastern Development Finance Corporation Ltd.

→ Behind any sectoral performance, it is the financial bac-bone that basically provides the strength to the sector. So is also true for the SSI sector. Hence the third objective is to investigate into the financial and specialized resource support to the SSI sector, both by SIDBI at the apex level and then by Banks.

→ Alongwith Central level support structures, the State Governments (in our case Uttar Pradesh) also enact significant role towards promotion and development of SSI sector.

1.7 ON THE LINES OF CONDUCT

1.7.1 The State of U.P.

According to 2001 census, the population of U.P. is 16.61 crore, which is inclusive of the presently separated state of Uttaranchal. As its contribution to national population (even excluding Uttaranchal) works out to be 16.17% and in this respect, U.P. ranks fourth after Rajasthan, Maharashtra and M.P. Its decadal growth (1991-2001) rate is 25.80%, which is 0.25% higher than the previous decade (1981-1991). In
terms of population density, it has gone up from 548 per km to 689 per km in 2001. The density of population is the highest (91995 per km) in Varanasi. The literacy rate of U.P. has increased from 40.71% (1991 census) to 57.36% (in 2001 census), with 70.23% literate men and 48.28% literate women.

In the aftermath of globalization it is now, perhaps, industry alone—specially the Small Scale Industry—that holds the pass-key to employment and economic progress, which accounts for the high priority assigned to growth and development of SSIs both by the Centre and the State governments. In fact, after Gujarat and Maharashtra, it is U.P. which has the distinction of having received the largest number of letters of intent (LOI) and industry entrepreneurial memorandum (IEM).

1.7.3 The SSI Sector of U.P.

As on 31st March, 2003, total numbers of SSI units in U.P. were 30,361 having incorporated Rs. 272 crore of capital investment, generated 1,12,802 numbers of employment and produced worth Rs. 620 crores. To promote the growth and development of SSI sector, the government of U.P. has been liberal with incentives in the form of exemptions to entrepreneurs, wherever possible, undertake trade-tax scheme, training to industrial craftsmen, priority to small industry in government purchases and necessary infrastructure facilities. The single table system and critical infrastructural schemes are among the other steps designed to encourage the expansion of SSIs in U.P. Higher levels of importance is also given to units manufacturing a variety of handicrafts, which not only give a fillip to the economy but also generate local employment in the state. The U.P. state government has endeavoured its
continued commitment towards SSI sector with its financial and other specialized support services. These are:

- **Industrial Advisoty Service Fund**: At the directorate level, this Fund has been created in cooperation with UP Finance Commission, the PICUP, the UP-SSI Corporation, UP State Industrial Development Corporation and the UP Government. The basic aim of this fund is to disseminate information and advice by processing correct and precise informations on various industry related matters to the entrepreneurs.

- **Entrepreneurship Development Programme**: To accelerate the process of industrial development together with opening up of self-employment opportunities for rural and urban unemployed, the state government had started this scheme.

- **Industrial Estates**: The idea of industrial estates began in the Second Plan with the objective of making hub of centralized/localized activity, where facilities of location, operation, servicing, expansion and modernization of small scale enterprises would be handy in a cluster. Presently there are 177 numbers of such industrial estates set up in the rural and underdeveloped regions of the state of UP.

- **Single Table System**: It is one of the most effective and entrepreneur-friendly schemes to attract industrialists and industry to the State. Under Single Table System, industry’s all applications are processed at one place. In the districts, the General Managers of Industrial Centres are vested with the responsibility of operating the scheme.
• ‘Swarojgar-Bandhu Yojana’ and DIC Scheme: These are among the other notable steps taken by the state government to encourage the VSI sector of the State with the ultimate objective of creating productive avenues of self-employment for the unemployed.

• ‘Udyog Bandhu’: This came into being in 1981, under the Industrial Development Commission. It acts as the apex-body to sort out the applications of those who are desirous of setting up industries in UP including SSI units.

• UP Finance Corporation (UPFC), Kanpur: It was founded in Nov. 1, 1954 and has acquired a distinct identity of its own as an instrument of financing growth and development of SSIs in the State. It is the premier financing agency extending long term credit to the SSI sector of the State.

• PICUP, Lucknow: Incepted in 1972, PICUP has been providing financial assistance to prospective entrepreneurs in form of capital loans upto Rs. 30 lakh. It has also taken up underwriting aid, capital partnership, providing subsidy in technical and economic feasibility reports, identifying new projects, etc.

• UP State Handloom Corporation Ltd., Kanpur: It was set up in January 9, 1973, it was originally named UP State Power Operated Loom Finance and Development Corporation, and was renamed on December 20, 1977, The core objective of the corporation is to promote handloom industry and improve the economic condition of the weavers.

• UP State Industrial Development Corporation (SPSIDC) Ltd., Kanpur: Formed on March, 1961 with the objective of seeping up the pace of industrial (large, medium and small) development in a planned way. Presently, the Corporation has Rs. 800 crore worth of capital investment in the State.
- **UP State Export Corporation, Lucknow**: It was established in January 1966, with the objective of market promotion and export of goods produced in the state. Since 1971, UP Handicrafts show rooms which were earlier managed by Directorate of Industries, is now under the control of this corporation. Its internal marketing is done through ‘Gangotri’ showrooms and exports are routed through Head Office at Lucknow and subsidiary establishments in New Delhi and Mumbai.

- **State Leather Development & Marketing Corporation Ltd., Agra**: Formed on February 12, 1974, it is the only corporation of the type promoting leather-shoe industry in the state. Right from sale of shoes and footwears, it promotes new types of foot wears, new styles of shoe-making, along with exploring new markets for the leather products.

- **UPTRON, Lucknow**: The UP Electronics Corporation Ltd. Was set up as a subsidiary of PICUP on March 30, 1974. It was made an independent identity in July 1976. The prime objective of UPTRON has been to develop and modernize Information Technology (IT) and Electronics in the state, spreading its software development centres, promotion of e-governance, networking for video-conferencing, and undertake data processing for administrative departments of the government.

- **UPICA**: Set up in 1952 as a high level body under UP Cooperative societies act, 1912, it is the nodal agency, designed to consolidate the primary industrial weaving cooperative societies and lay down guidelines for production and marketing of handloom-woven cloth and cloth material. Presently, UPICA comprises strength of 63,725 weavers.
- **SIDA, Jaunpur**: Sathariya Industrial Development Authority, established in November 1989, operates in Machchlishahar tehsil of Jaunpur district and also covers another 37 adjoining villages as its area of activity. The principal objective of SIDA is to acquire land in the notified areas and pave way for industrial development by creating the necessary infrastructural facilities for prospective and promising entrepreneurs on liberal terms.

- **UP Small Scale Industries Corporation (UPSSIC) Ltd., Kanpur**: Established in 1958, it is aimed to provide all necessary help and guidance to SSI units in the state by fulfilling their requirements of raw materials, marketing, spare parts etc.

- **NOIDA**: Established in 1976, it has acquired 3,68,000 square metres of land in the western part of UP adjoining Delhi. It has attracted a capital investment of Rs. 19,241 lakh, with an estimated employment potential of 11,369. NOIDA is developed into a throbbing centre of Information Technology (IT) of the most modern type. Software development, computer training with IT services, cyber cafes, call centres, internet business centres, medical transcription etc. are associated with NOIDA.

### 1.7.3 The Varanasi District

The district Varanasi is in the eastern part of U.P., covering 1550.2 sq.km of area. Its population base, according to 2001 census, is of 31,47,927 numbers of people, with 1:0.91 men-women ratio. Its population density is 1995 per km. and is the highest in U.P. Literacy rate is 67.09%. The Varanasi district has 01 Municipal Board, 02
(Sadar, Pindara) Tehsils and 08 (Chiraigaon, Harahua, Pindara, baragaon, Sewapuri, Kashi Vidyapeeth, Arajiline and Cholapur) District Blocks. Principal industries of the district are Banarasi saree, “Jari’ works, Banjals (‘churi’), scented chewing tobacco (‘Jarda’), Handicrafts, etc.